TRAF

Teachers' Retirement Allowances Fund

SERVING TEACHERS

PAST • PRESENT • FUTURE

ANNUAL REPORT

2008

Mission Statement

We commit ourselves to manage the funds entrusted to our care
in a prudent and professional manner,
and to provide caring and responsive service to members.

TRAF Employees, Fall 2008

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COVER (left to right):

RUBY JOYCE · Retired 1978
Elwick School
Years Teaching – 43

AL MCDERMID · Principal
General Vanier School
Years Teaching – 29

SUZY MARTINS · Class of 2010
Red River College

Overview

The Teachers' Retirement Allowances Fund (TRAF) administers the defined benefit pension plan for public school teachers in Manitoba. TRAF also manages the assets that support the plan, which as of December 31, 2008, stood at $2.4 billion. In addition, TRAF invests certain trust funds set aside by the Province of Manitoba to support its plan obligations. As of December 31, 2008, these funds totalled $1.6 billion.

MEMBERSHIP

	Number	%
Active	15,122	45.8
Retired	11,603	35.2
Deferred	6,283	19.0
Total	33,008	100.0

ASSET MIX

	Target (%)	Actual (%)
Fixed Income	36.0	38.4
Equity	48.0	45.7
Real Estate	14.0	15.1
Infrastructure	2.0[1]	0.8
Total	100.0	100.0

[1] Long-term target of 5.0%.

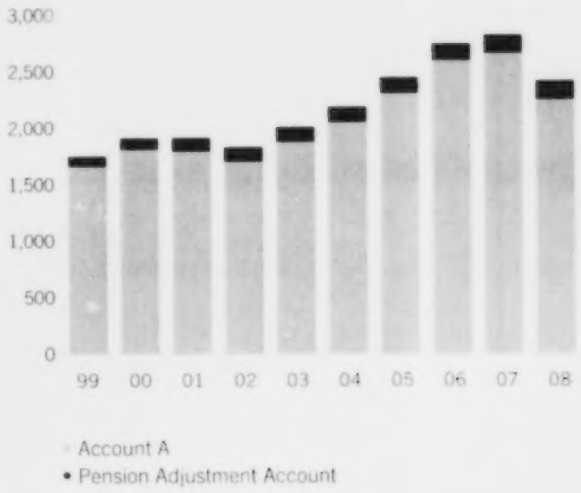
CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS

($ millions)	2008	2007
Net Assets Available for Benefits at Beginning of Year	$ 2,815	$ 2,746
Add: Member Contributions	67	66
Province's Contribution to Pension Payments	135	129
Net Investment Return	(326)	134
Deduct: Pension Payments	(258)	(242)
Net Other Payments (eg. Refunds, Reciprocal Transfers)	(11)	(15)
Administrative Expenses	(3)	(3)
Net Assets Available for Benefits at End of Year	$ 2,419	$ 2,815
Accrued Pension Benefits	2,607	2,483
Accrued Surplus/(Deficit)	$ (188)	$ 332

[1] Includes the Pension Adjustment Account. Excludes trust accounts.

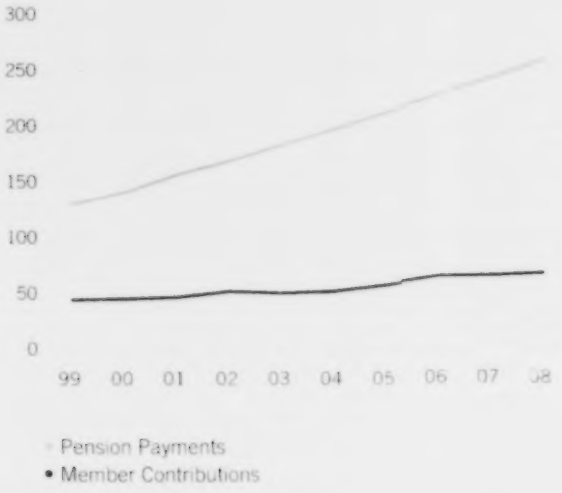
NET ASSETS AVAILABLE FOR BENEFITS

($ millions)

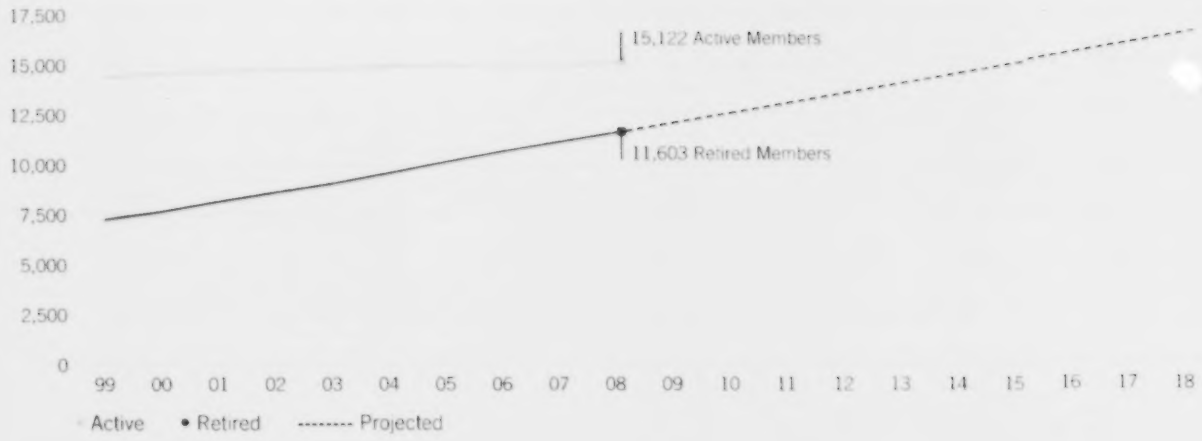


MEMBER CONTRIBUTIONS & PENSION PAYMENTS

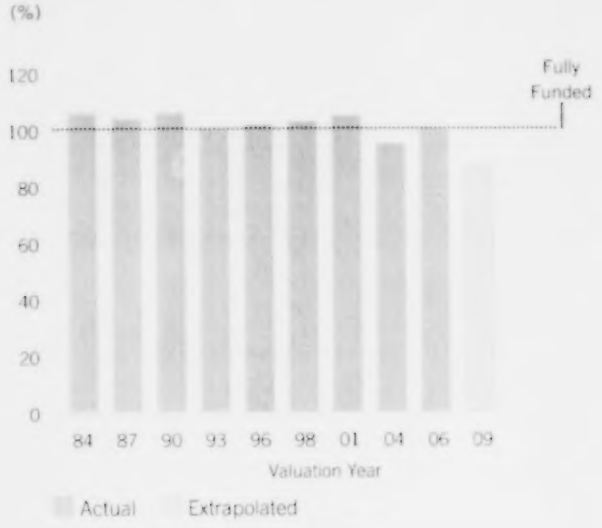
($ millions)



MEMBERSHIP



ACCOUNT A FUNDING STATUS



EXPENSE METRICS

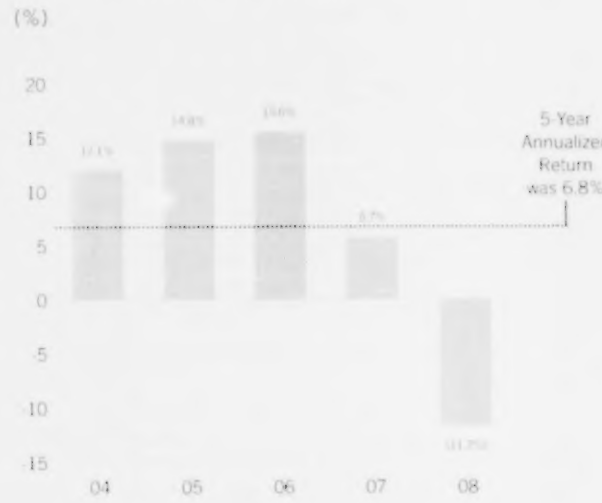
	2008	2007
Administrative Cost per Member	**$ 113**	$ 114
Investment Costs per $100 of Assets	**$ 0.28**	$ 0.26

CONTRIBUTION RATE

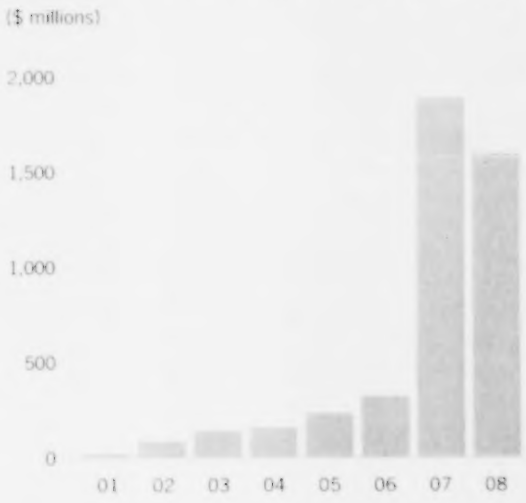
Earnings up to the YMPE[1] of $46,300	**6.8%**
Earnings over the YMPE to $136,112[2]	**8.4%**

[1] The Yearly Maximum Pensionable Earnings (YMPE) is the maximum pensionable earnings under the Canada Pension Plan, which is $46,300 for 2009.
[2] Contributions are only required on salary up to the maximum salary for which a benefit can be accrued under the Income Tax Act, which is $136,112 for 2009.

ANNUAL INVESTMENT RETURN



PROVINCE OF MANITOBA TRUST ACCOUNT BALANCE



Message from the Chair

"We continue to focus on the long-term health of the plan and on ensuring that we achieve top performance within the pension sector while protecting the assets that we have."

MAL ANDERSON | CHAIR

It is ironic that TRAF ranked in the top quartile of pension funds and yet had a return of negative 11.7%. It was a very difficult year for investors around the world and TRAF was not immune from these conditions. Nevertheless, we continue to focus on the long-term health of the plan and on ensuring that we achieve top performance within the pension sector while protecting the assets that we have.

Over the long term, our annualized returns have been satisfactory, coming in at 6.8% over a 10-year period. TRAF continues to work effectively and diligently to position the Fund to achieve this kind of performance or better over the next 10 years. We will continue to work at strengthening our Statement of Investment Policies & Procedures to ensure we invest in products and strategies that make sense for us today and in the years ahead.

FUNDING STATUS

By September 2009, we will complete our triennial actuarial valuation. While we know the plan is in a deficit, this process will provide clarity on the amount. We will also develop a projection valuation to look at our prospects over the next 20 years based on various scenarios. Once complete, we will sit down with representatives from the provincial government and The Manitoba Teachers' Society (MTS) to review and discuss the results. They will then have the information necessary to understand the position of the Fund.

The province fulfilled a major commitment last year when it made the Province of Manitoba Trust Account "irrevocable". Members now have the comfort of knowing that the trust assets cannot be used for any purpose other than the province's pension liabilities related to the Fund. We commend the province for providing this additional assurance to our members.

GOVERNANCE

When I joined the Board in early 2007, I indicated that governance would be a high priority. To this end, we made some meaningful improvements in 2008.

Some of the more significant actions were:

- Adopting a comprehensive Code of Conduct for Board and subcommittee members
- Developing written succession plans for each member of senior management
- Appointing two external professional advisors to the Investment Committee
- Establishing a formal policy related to briefing the province and MTS annually on the status of the plan, financial and otherwise
- Creating a more rigorous process by which the Board and the actuary set assumptions for valuation purposes

As proper governance is an evolving area, the Board and senior management

will continue to hold an annual retreat dedicated to it. The 2008 retreat, held in Gimli with an external facilitator, was very productive and helped us focus on areas of high priority. The Board also made a decision at the retreat to revise TRAF's mission statement to more accurately reflect our organization's mandate and core values. The new mission statement is: *We commit ourselves to manage the funds entrusted to our care in a prudent and professional manner, and to provide caring and responsive service to members.*

We also expanded our subcommittee structure with the formation of the Legislation Review Committee (LRC). The three-member LRC was asked to work with staff to identify areas where the legislation could be adjusted to permit either easier administration or more equitable treatment of members. While TRAF cannot set policy, we believe that we are in a unique position to make informed recommendations to the Pension Task Force, the vehicle through which legislative change is generally initiated.

THE YEAR AHEAD

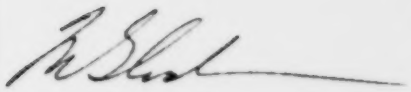
We enter 2009 knowing that the markets will continue to be volatile and will likely provide low returns for our investments. While we cannot predict the future, we do not anticipate that the equity markets will rebound quickly. In addition, we expect some of the asset classes that have held up reasonably well, such as private equity and real estate, to provide lower returns. Although we do not expect to make dramatic changes, we will continue to refine our asset allocation to position the Fund defensively and ensure adequate liquidity for pension obligations.

We will also continue to strengthen our governance structure through critical analysis and action where required. And, as always, we will continue to closely monitor and control costs for both administrative and investment related services.

ACKNOWLEDGMENTS

I cannot thank the employees enough for their dedicated service. Our member surveys continue to show high levels of satisfaction with the service provided by our staff. In addition, they worked hard to implement Bill 45 on a timely basis while ensuring continuance of the high levels of service that our members have come to expect and deserve.

Jeff Norton and his executive team of Brenda Venuto and Les Brown have shown exceptional leadership in every area of the organization from information systems, member services, finance and administration, to high quality investment and governance processes. I thank each of them for their commitment. I also thank the Board for its contributions. Manitoba teachers have a high quality organization and we look forward to serving you in the coming years.



Mal Anderson, Chair

RICHARD REEVES
Retired 1994
Chief Peguis Junior High
Years Teaching – 34

CRYSTAL SAVINKOFF
Grades 1 to 3
Lord Roberts School
Years Teaching – 3

LAUREN AUSTEN
Class of 2009
Brandon University

Message from the President

"Despite the recent investment losses and the uncertain future of the market, we have not materially altered our long-term investment structure. We continue to believe our investment strategy will deliver the required results over the long term."

JEFF NORTON | PRESIDENT & CEO

Thank you for taking the time to read this message. While there were many positive developments at TRAF during 2008, they were largely overshadowed by the dramatic investment losses that we suffered. So let's start there.

INVESTMENT PERFORMANCE

Our investment return in 2008 was negative 11.7%, the worst ever experienced by the Fund. Previously, TRAF had only one year of negative returns (-2.1% in 2002). Every equity market in which we were invested incurred losses, with Canadian equities suffering a 33% decline. TRAF, which has approximately 46% of its portfolio in equity securities, experienced an overall equity return of negative 27.9%. The balance of the portfolio, consisting of fixed income, real estate and infrastructure holdings, was able to produce positive returns of 3.6%, 10.4% and 20.6% respectively. Despite the negative return, our overall performance was relatively strong, as TRAF exceeded its benchmark by 2.6% and placed in the top quartile among comparable pension plans.

While a negative return of the magnitude experienced in 2008 has a material impact to the plan that will likely be felt for years, we have always asked members to look at the long term. This was the cautionary message in each of the five strong years that the plan experienced from 2003 through 2007, when the annualized return was 12.2%. In looking at the long-term performance at the end of 2008, we note our 10-year annualized return was 6.8%. This is above our current long-term actuarial assumption of 6.25% per annum.

The bigger questions might be: what lies ahead and are we prepared? Despite the recent investment losses and the uncertain future of the market, we have not materially altered our long-term investment structure. We continue to believe our investment strategy will deliver the required results over the long term. That strategy includes broad diversification, professional external management and low investment related expenses. We continually monitor all aspects of the program and will consider adjustments should circumstances warrant.

Please refer to the Investments section of this report for a detailed analysis of our investment results.

FUNDING STATUS

The most important measure of our financial health is the funding status. While investment performance is a key component, there are other factors. The funding status of our main account, which is known as Account A, is determined by an actuarial valuation. A comprehensive funding valuation was last conducted as of January 1, 2006. At that time, the report concluded that Account A was essentially fully funded (the deficit was less than 1%).

The next actuarial valuation is currently underway. It will be as of January 1, 2009, and is expected to be completed by

September 30, 2009. Complete details will be posted on our website.

In the meantime, we can provide some comments on what we expect to see. On the assets side of the balance sheet, the investment losses in 2008 for Account A were $350 million. This significantly offsets prior gains. As a result, the net assets available for benefits have decreased by approximately $57 million since the date of the last valuation. However, the liabilities of Account A have continued to increase in the normal course as a result of members accruing more service (which results in higher future pensions).

In addition to the accrual of service credits, there are other factors that can result in higher liabilities. One is mortality. The longer our retired members live, the longer they collect their pensions. While long lives are obviously great for the members, they also result in a financial cost to the Fund. In 2008, we conducted a study of our members' experience and determined that the average retired member is living approximately two years longer than assumed in 2006. The result is that TRAF needs more assets to fund these longer pensions.

Consequently, members and stakeholders should be prepared for an actuarial valuation that reflects a deficit in Account A of around $400 million.

NEXT STEPS

What does this mean? In the short term, nothing. It is business as usual. Pensions are secure. However, over the long term, contribution and benefit levels need to be appropriate and in balance. For example, it is reasonable to conclude that additional funding will be required to maintain benefit levels given increased life expectancies.

While TRAF is not involved in making these policy decisions, it has an important role in communicating to those responsible timely and accurate information to support the decision making process. We are equally responsible to ensure that our members have the information necessary to understand the issues and alternatives. To this end, we welcome any member or group of members to contact us for assistance in understanding the plan workings and status.

As noted, the above comments relate to Account A. There is also Account B, through which the Province of Manitoba contributes its share to our pension obligations. The funding of Account B is now facilitated through the Province of Manitoba Trust Account (PMTA). As mentioned in the Message from the Chair, there were some positive developments regarding this structure in 2008. As a result of the close linkage between the Fund and the PMTA, we have expanded our commentary on these arrangements in the Province of Manitoba Trust Account section of this report.

KEITH MALCOLM
Retired 1985
Starbuck School
Years Teaching – 33

JOANNE TRAGER
Grade 3
École Taché
Years Teaching – 10

BEN SHEDDEN
Class of 2010
University of Winnipeg

COST OF LIVING ADJUSTMENTS (COLA)

A lot happened on the COLA front in 2008, as amendments to The Teachers' Pensions Act changed the method of determining the annual increase. These amendments arose largely from the Sale Report which was issued in late 2007. Prior to the amendments becoming effective on September 15, 2008, the Board had granted a COLA of 0.71% effective July 2008. However, as the amendments were retroactive, this amount was adjusted to 1.44% prior to year end. The COLA to be granted July 1, 2009 has been set at 0.37%. Please refer to the Cost of Living Adjustments section for more details.

OTHER INITIATIVES

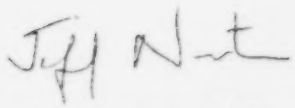
A number of other initiatives were advanced in 2008. These included expanding our online services, completing the development of a policy manual for the Finance Department and working with an outside consulting firm to review the risks inherent in our securities lending program. A new set of initiatives has been identified for 2009, including the development of an updated strategic plan to guide our activities over the next several years.

ACKNOWLEDGMENTS

TRAF is very fortunate to have an extremely talented and experienced staff. Our employees deserve the highest level of appreciation. Planned projects (and unplanned obstacles) are each tackled with clarity, discipline, hard work and follow-through. This results in a consistently high level of productivity and service to our members. I know that management and staff are committed to keeping it this way, and I thank each of them for their continued dedication.

I also acknowledge the services of Ross Hadaller, our Vice President, Finance, who left at the end of the year. Ross was a consistent and valuable contributor to our Finance Department for over 21 years. We wish Ross well in his future endeavors.

Finally, I commend the leadership displayed by the Board through 2008. The Board supported, guided and at times challenged management in an effective manner as we collectively worked to make intelligent decisions on behalf of the membership.



Jeff Norton, President & CEO

Governance

We are committed to sound governance and reporting to our members in an open and transparent manner. We continue to focus on stengthening our governance structure through critical analysis and action where required. You will find a section on our website that covers general governance information, while recent or noteworthy initiatives are summarized here in our Annual Report.

LEGISLATION REVIEW COMMITTEE

TRAF is responsible to administer the provisions of The Teachers' Pensions Act (TPA). Amendments to the legislation may only be made by the Legislative Assembly of the Province of Manitoba. However, the Minister of Education, Citizenship and Youth, who is responsible for the TPA, routinely seeks TRAF's input regarding desired changes to the TPA. While major changes such as plan eligibility, contribution rates and benefit levels are not addressed by TRAF, there are often provisions that TRAF would like to see amended to make administration either easier or more equitable.

While these administrative amendment requests were previously addressed primarily at the staff level, the Board made a decision at its governance retreat in 2007 to form an ad hoc committee of the Board, to be known as the Legislation Review Committee (LRC). The committee was asked, in conjunction with staff, to compile a comprehensive summary of those provisions of the TPA that create administrative challenges. In addition to identifying these items, the LRC was asked to propose possible solutions.

The committee is expected to provide a formal report to the Board in 2009.

The committee is chaired by Glen Anderson. The other Board members on the LRC are Terry Clifford and Pat Isaak. The LRC is separate and distinct from the Pension Task Force (PTF).

The PTF is made up of representatives from government and The Manitoba Teachers' Society. The PTF is the body that reviews and considers substantive amendments to the TPA, such as plan eligibility, contribution rates and benefit levels.

BOARD

Back Row: RAY DESROCHERS, TERRY CLIFFORD, LUCY VOGRIG, GLEN ANDERSON, HENRY SHYKA

Front Row: PAT ISAAK (Vice Chair), MAL ANDERSON (Chair)

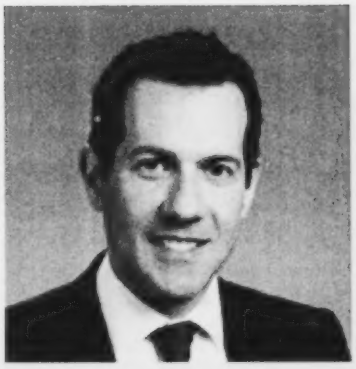
INVESTMENT COMMITTEE

The investment activities of TRAF are becoming more complex each year. At the governance retreat in 2007, the Board resolved to add external expertise to the Investment Committee. While the formal composition of the Investment Committee has not changed (and would require legislative amendments), the Terms of Reference were amended in 2008 to provide for the addition of two external non-voting members. These individuals are required to have industry expertise or experience to assist the Investment Committee in carrying out its mandate. The Board adopted a policy in 2008 regarding the identification and appointment of external members to Board committees.

Effective January 1, 2009, David Stangeland and Sam Pellettieri joined the Investment Committee as external members. The Board is confident that these new members will make meaningful contributions to the decision making process, and looks forward to working with each of them.

CODE OF CONDUCT

In 2008, the Board reviewed its existing policies related to Board member conduct. The result of this exercise was a revised and updated Code of Conduct, which covers many topics including confidentiality and conflicts of interest. Members of the Board and each of its subcommittees (including external members) are required to annually certify compliance with the Code of Conduct. The Code of Conduct is available on our website.



DAVID STANGELAND
Investment Committee Member

David is currently the Head of the Department of Accounting and Finance at the University of Manitoba's I.H. Asper School of Business. David received a PhD in Finance from the University of Alberta in 1994 and has been a professor at the University of Manitoba since 1991. David teaches investment banking as well as corporate and international finance at the undergraduate, MBA and PhD levels. His primary area of research relates to corporate governance and control and the effect on corporate performance and value. In 2003, he earned a Certified Management Accountant designation and was named an Honourary CMA Professor of Strategic Financial Management.

SAM PELLETTIERI
Investment Committee Member

Sam is currently the Chief Investment Officer at Wellington West Capital Inc., an independent investment and wealth management firm headquartered in Winnipeg. Sam has broad expertise in investment matters including the field of behavioural finance and recent advances in portfolio optimization and construction. Sam is a graduate of the University of Manitoba with a Bachelor of Commerce degree, where he majored in Finance and minored in Mathematics. He holds a Chartered Financial Analyst designation.

SUCCESSION PLANNING

It is extremely important for an organization like TRAF to have a proper succession plan in place for each member of senior management. In 2008, the President & CEO worked with an external consultant to prepare written succession plans for each member of senior management. These plans cover both the action to be taken in the case of unexpected departures, as well as longer-term, structured succession planning. These succession plans have been presented to and discussed with the Board.

RELATIONSHIP WITH GREYSTONE

Greystone Managed Investments Ltd. (Greystone) is a large investment management firm based in Regina, Saskatchewan. TRAF owns approximately 10% of Greystone. This ownership position was acquired in August 1999 in connection with the merger of Mentor Capital Management Ltd., then a wholly-owned subsidiary of TRAF, with Greystone. In addition to this relationship, Greystone is one of TRAF's primary investment managers. At the end of 2008, Greystone directly or indirectly managed approximately 67% of our assets.

The two roles that TRAF holds in relation to Greystone (owner and client) can create potential conflicts of interest. Specifically, our interests as a client may not always be consistent with our interests as an owner. The Board has actively considered the various options for this relationship. One option would be to eliminate the conflict by ending one of the relationships. As Greystone has been a strong manager, we intend to continue as a client. That would leave selling our ownership position as the only option to eliminate any potential conflict. However, as Greystone is a private company and we hold a minority position, our liquidity options are limited. In addition, the investment has been successful and we do not wish to sell at this point based on the merits.

As a result, the Board has adopted procedures to manage the potential conflict. Specifically, while TRAF will continue to exercise its ability to appoint one person to the Greystone board of directors, our appointee will no longer be an internal person, but rather, an external person with the requisite skills. This policy was implemented in 2008 and our internal representative, Pat Isaak, was replaced on the Greystone board at its annual meeting in June 2008. Pat's replacement was Laurie Goldberg, a respected member of the Manitoba business community. The Board extends its sincere appreciation to Pat for her four years of service on the Greystone board.

STRATEGIC PLANNING

The 2008 governance retreat was largely dedicated to discussing TRAF's strategic objectives and initiatives over the next three years. Using an external facilitator, many topics were discussed in significant detail. Based on this work, in 2009 staff will be formalizing a strategic plan to cover the period 2010 to 2012. We intend to finalize this strategic plan at the 2009 governance retreat.

OTHER REPORTS

Member Appeals

During 2008, there were two appeals filed under our Member Appeal Policy. Each appeal was addressed in accordance with provisions of the policy.

Information Requests

TRAF is subject to provincial access to information legislation. During 2008, TRAF did not receive any requests for information.

Whistleblower Protection

TRAF is subject to The Public Interest Disclosure (Whistleblower Protection) Act. Among other obligations, TRAF is required to report any disclosures made under this legislation. No disclosures were made in 2008.

MEETING ATTENDANCE

The table below shows the number of meetings attended by each Board and committee member relative to the total number of meetings that could have been attended. Aggregate Board and committee attendance was 96.6% for 2008, up from 95.1% in 2007.

Board Members	Appointed	Board	Investment Committee	Audit Committee	Legislation Review Committee
Mal Anderson, Chair	January 3, 2007	10 of 10	5 of 5	n/a	n/a
Pat Isaak, Vice Chair[1]	December 22, 1999	9 of 10	n/a	n/a	4 of 5
Henry Shyka[1]	October 17, 2001	10 of 10	5 of 5	n/a	n/a
Glen Anderson[1]	October 17, 2001	10 of 10	5 of 5	n/a	5 of 5
Terry Clifford	December 15, 2004	9 of 10	n/a	n/a	5 of 5
Ray Desrochers	December 15, 2004	10 of 10	n/a	4 of 4	n/a
Lucy Vogrig	October 25, 2006	10 of 10	n/a	4 of 4	n/a
[1] MTS nominee					
Committee Members					
Gary Gibson	September 27, 2007	n/a	4 of 5	n/a	n/a
David Asselstine	December 20, 2004	n/a	n/a	4 of 4	n/a

GARY GIBSON

Investment Committee Member

Gary is currently Assistant Deputy Minister of Finance of the Province of Manitoba. He brings 17 years of financial and investment experience to the Investment Committee. Prior to his appointment as Assistant Deputy Minister, he served as Director – Capital Markets in the Department of Finance – Treasury Division. As the Assistant Deputy Minister, Gary is responsible for ensuring the borrowing and investment programs of the Treasury Division meet the needs of the Government, Crown Corporations and agencies. He has a Certified Management Accounting designation.

DAVID ASSELSTINE

Audit Committee Member

David is currently President of InFocus Forensic Financial Investigations Ltd. He has been providing forensic financial investigation services since the early 1990s to the provincial and federal public sectors, municipal and national police forces, regulatory agencies, independent public inquiries, law firms, corporations and the International Monetary Fund. David also has extensive experience in evaluating, designing and monitoring operational controls and developing proactive anti-fraud programs. He is a Chartered Accountant, a Certified Fraud Examiner and a CA designated specialist in investigative and forensic accounting.

Member Services

Our membership continues to grow and evolve. Within about seven years, our retired population is expected to reach 15,000, which has been the approximate level of active members for the last several years. At the same time, we have a larger number of new members entering the plan as they begin their careers. We are committed to providing all members with caring and responsive service in writing, in person, on the phone and online.

HIGHLIGHTS

Active Members

964 new members entered the plan in 2008, bringing the number of active members to more than 15,000

The average age of all active members is 43.5 years, down slightly from 2007

More than 2,000 members are currently eligible to apply for pension

Almost 2,400 more members will become eligible to apply for pension in the next five years

Newly Retired Members

625 pensions commenced in 2008, the same number as in 2007 and 54 fewer than our all-time high of 679 in 2005

55.5% of new retirements occurred in June

The most common plan option was Plan C – Full to Last Survivor, selected by 201 (32.2%) new retirees

16.5% of new retirees selected integration with CPP/OAS

The average age of new retirees (excluding deferred members) was 58.4 years, up from 57.1 years in 2003

The average monthly pension granted to new retirees (excluding deferred members) was $2,491, up 4.7% from $2,380 in 2007

The average remaining life expectancy of new retirees is 29 years, which is longer than their average length of service (28.5 years)

Retired Members

The average age of all retired members is 68.7 years, up slightly from 2007

The average monthly pension amount of current retirees is $1,975, up 2.3% from $1,930 in 2007

There are currently 754 retired members (including beneficiaries of deceased members) over age 85, and 19 age 100 or older

Our oldest member is age 104

1,524 pension recipients (13.1%) live outside of Manitoba and 136 of them live outside of Canada

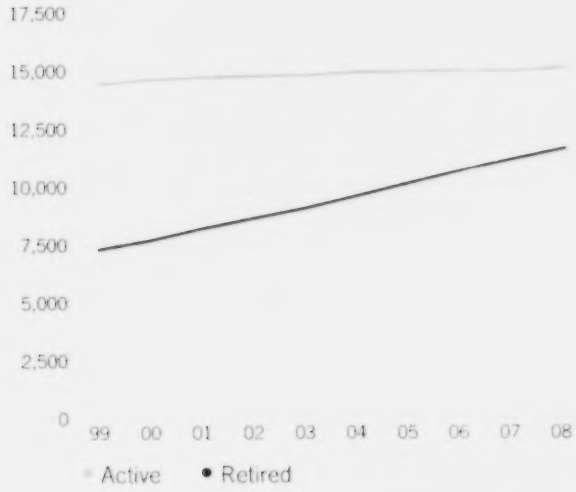
All but 82 pension recipients receive their monthly payments by automatic bank deposit

BRENDA VENUTO
Vice President,
Member Services

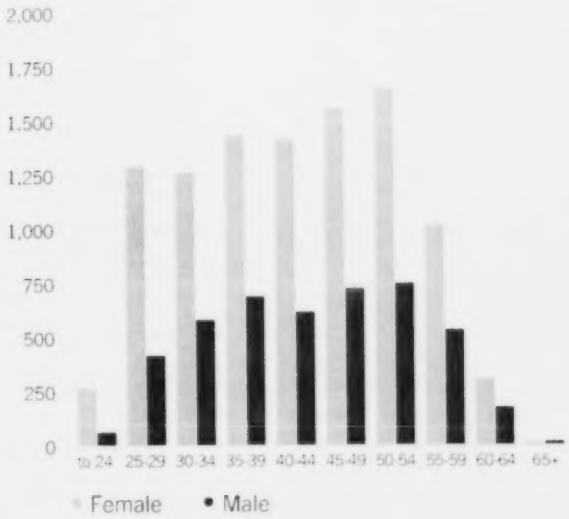
MEMBERSHIP

	Number	%
Active	**15,122**	45.8
Retired	**11,603**	35.2
Deferred	**6,283**	19.0
Total	**33,008**	100.0

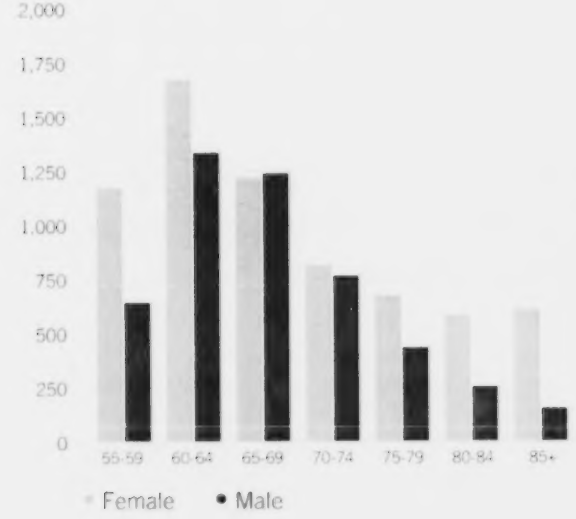
MEMBERSHIP



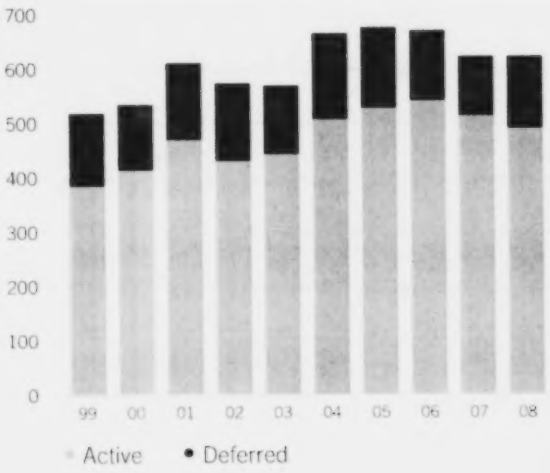
AGE & GENDER DISTRIBUTION ACTIVE MEMBERS



AGE & GENDER DISTRIBUTION RETIRED MEMBERS



NEW RETIREMENTS



	2008		2007	
	Female	**Male**	Female	Male
Active	**311**	**181**	325	190
Deferred	**93**	**40**	74	36

RETIREE PROFILE

NEW RETIREES (excluding deferred members)	**Combined**	**2008 Female**	**Male**	Combined	2007 Female	Male
Average Age (years)	**58.35**	**58.26**	**58.49**	58.38	58.33	58.46
Average Service (years)	**28.45**	**27.13**	**30.72**	28.38	26.70	31.26
Average Monthly Pension	**$2,491**	**$2,369**	**$2,700**	$2,380	$2,222	$2,651
Average Projected Years on Pension (excluding survivors)	**29**	**30**	**27**	27	28	25

ALL RETIREES	**Combined**	**Female**	**Male**	Combined	Female	Male
Average Monthly Pension	**$1,975**	**$1,748**	**$2,286**	**$1,930**	**$1,693**	**$2,250**

PENSIONS IN PAY

	2008	2007
Retired Members		
Female	**5,926**	5,648
Male	**4,597**	4,440
Beneficiaries of Deceased Retired Members		
Female	**486**	466
Male	**108**	103
Recipients of Other Benefits Including Annuities	**486**	482
Total	**11,603**	11,139

INFORMATION DELIVERY

For the third year in a row, there was a reduction in the number of pension estimates requested by members. This was offset by increased use of the online pension estimator through which members can determine their estimated gross monthly pensions under various scenarios. During 2008, 1,378 registered members accessed their pension information through online services.

There were 1,293 member appointments in 2008, 7% fewer than in 2007. 150 appointments were scheduled on Saturdays, representing just under 12% of all appointments, up from 10% in 2007.

We conducted 30 retirement seminars throughout Manitoba in 2008, with 1,301 members attending. In addition, 1,172 individuals accessed the retirement seminar video through our website. The seminar presentation provides a general overview of the pension plan and is intended to assist members with their retirement decisions.

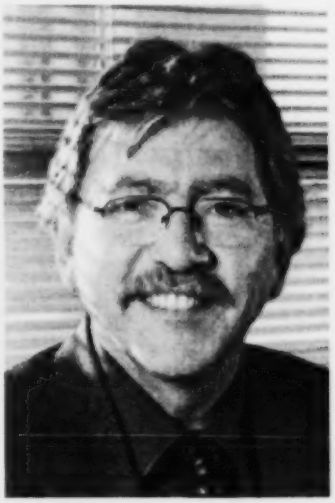
Over the past several years, TRAF has made significant progress in establishing contact with former teachers who have contributions remaining in the Fund and are entitled to future benefits. Such members are referred to as "deferred" members. For the first time, Benefits Statements were distributed to fully vested deferred members for whom TRAF has a current address. Statements were sent by mail to 2,303 deferred members along with notice that future statements would be available electronically through online services. Deferred members also receive regular communications such as the semi-annual newsletter and Annual Report Summary.

WEBSITE & ONLINE SERVICES

Our website continues to be an important tool for providing information to members, with an average of 87 visits per day. In addition, registration for secure online services has grown to 2,005 members, up 53% from the end of 2007.

Over the past year, TRAF has focused its efforts in two areas:

- Developing new features such as applying for pension online and electronic newsletter distribution, both of which will be launched in 2009
- Developing a process for "paperless" Board meetings, which is currently being tested and is expected to be formally launched in 2010



LES BROWN
Vice President,
Information Services

INFORMATION REQUESTS

	2008	2007
Pension Estimates		
Letter	**4,514**	5,664
Online	**1,378**	n/a
Appointments	**1,293**	1,391

SEMINARS

	2008	2007
Winnipeg	**17**	19
Rural	**13**	10

SURVEYS

TRAF continues to score highly on member surveys conducted in conjunction with member appointments and retirement seminars. TRAF also solicits feedback from newly retired members regarding the level of service received during their retirement process and the effectiveness of various communications. Results of these surveys continue to show very positive responses in all service areas, particularly during member appointments, with more than 98% of members surveyed indicating they strongly agree that the Member Service Specialist was knowledgeable and thoroughly answered their questions.

As always, member comments and feedback are appreciated and help enhance our service levels so that members' needs continue to be met efficiently and cost effectively.

AMENDMENTS TO THE TEACHERS' PENSIONS ACT

On September 15, 2008, Bill 45 was passed and resulted in amendments to The Teachers' Pensions Act. The following are highlights of these amendments.

Cost of Living Adjustments

The amendments established a new method for crediting interest to the Pension Adjustment Account and changed the formula used to calculate the Cost of Living Adjustments (COLA). The amendments were retroactive to 2007 and affected the COLA originally granted in July 2008. Under the previous method, the COLA was determined to be 0.71%. Applying the new rate of interest allowed for a COLA of 1.44%. Retired members who received a COLA in 2008 received a retroactive adjustment to their pension in November 2008. Certain other items, such as reductions resulting from a marriage breakup, were also affected and adjusted accordingly. Please refer to the Cost of Living Adjustments section for additional details on the amendments that impact COLA.

Capping Contributions

Effective January 1, 2009, members are no longer required to make contributions on earnings above the maximum salary for which a defined benefit can be accrued under the Income Tax Act. For 2009, this threshold is $136,112. Previously, members were required to make contributions on all salary, but were subject to a capped pension benefit under the Income Tax Act. Members who made excess contributions prior to January 1, 2009, will receive a refund of these contributions plus interest.

Other Changes

- In order to comply with the Income Tax Act, members are required to stop contributing to TRAF and accruing benefits by the end of the year in which they turn age 71, and pension benefits must start on or before that date.
- In certain circumstances, teachers hired as employees of a school division, in non-teaching positions and not under a teaching contract, can now be designated as eligible employees and therefore become members of TRAF. This could include positions such as coordinators and directors.
- Contribution rates are now permitted to be set by regulation on the recommendation of the Pension Task Force, a body comprised of representatives of the government and The Manitoba Teachers' Society.

The Teachers' Pensions Act, including the amendments, is available on our website.

ADMINISTRATIVE EXPENSES

TRAF works hard to deliver its services cost effectively. All expenses incurred are allocated between those related to administrative activities and those related to investment activities. The table below sets out our administrative related expenses for 2008, with the figures from 2007 included for comparison. An analysis of our investment related expenses can be found in the Investments section of this report.

As in prior years, we have excluded pension interest costs of $211,000 (2007 – $203,000) as they are generally offset by investment earnings on funds TRAF has set aside to support the pension amounts to be paid to TRAF employees in the future.

Year-over-year, our administrative costs increased by $35,000 (1.2%). The primary contributor to the increase in 2008 was actuarial fees, which increased from $132,000 in 2007 to $257,000 in 2008. The additional fees related to various experience studies conducted in advance of the 2009 actuarial valuations and the need to recalculate the COLA following the passage of Bill 45.

As TRAF had a total of 26,725 active and retired members in 2008, the Administrative Cost per Member was $113, which represents a slight decrease over the 2007 amount of $114 per member. This is the third successive year that administrative costs on a per member basis have decreased. Please refer to the 10-Year Data Summary in this report for information on our Administrative Cost per Member since 1999.

Based on publicly available information, TRAF's administrative costs are reasonable when compared to plans of similar size, structure and complexity.

EXPENSE CATEGORY

($ thousands)	2008	2007
Salaries and Benefits	$ 1,997	$ 2,031
Office and Administration	523	564
Actuarial Fees	257	132
Custody and Banking	12	12
Communications	87	103
Travel	29	37
Professional Fees	68	62
Board and Committees	34	31
Total	$ 3,007	$ 2,972

Funding Status

The financial health of a pension plan is best determined by its "funding status". Funding status is determined through an actuarial funding valuation, which compares the value of plan assets to the expected costs of future benefits payable from the plan, each as of the valuation date.

Benefits paid under the plan are funded through certain accounts referenced under The Teachers' Pensions Act (TPA) as Account A, Account B and the Pension Adjustment Account (PAA).

Each of these accounts is subject to actuarial valuations. Those in respect of Account A and Account B are discussed in this section. The PAA is discussed in the Cost of Living Adjustments section.

TRAF also maintains several other accounts. Specifically, there are two employer trust accounts, one for The Manitoba Teachers' Society (MTS) and one for the Manitoba Association of School Trustees (MAST). As certain employees of MTS and MAST are eligible to participate in the plan, the TPA requires that these organizations bear the cost of the employer portion of any pension (or part thereof) that relates to service with such organizations. The TPA also requires MTS and MAST set aside funds to support such pension liabilities. These trust funds are held and managed by TRAF. We also administer various Money Purchase Accounts for persons transferring money to TRAF in accordance with the applicable provisions of the TPA. Money Purchase Accounts earn the same net rate of return as the Fund. The total funds held in the MTS, MAST and Money Purchase Accounts at the end of 2008 was just under $7.2 million, a relatively small amount in comparison to the $2.4 billion in the primary accounts.

While the Province of Manitoba Trust Account does not form part of the pension plan, it is relevant to members. It is also a relatively large account, with approximately $1.6 billion in assets at the end of 2008. Please refer to the Province of Manitoba Trust Account section of this report for additional details.

PRIMARY ACCOUNTS

Account A

- 83.4% of member contributions are allocated to this account
- Responsible for 50% of the basic pension benefits paid by TRAF
- Balance at the end of 2008 was approximately $2.25 billion

Pension Adjustment Account (PAA)

- 16.6% of member contributions are allocated to this account
- Responsible for 50% of the COLA amounts paid by TRAF
- Balance at the end of 2008 was approximately $170 million

Account B

- No member contributions are allocated to this account
- Responsible for 50% of both the basic pensions and COLA amounts paid by TRAF
- The Province of Manitoba has a statutory obligation to deposit the required funds on a monthly basis

BASIC BENEFIT ACCOUNTS (ACCOUNTS A & B)

One of the primary objectives of the Board is to monitor the Fund's ability to fund the basic benefits and communicate the relevant information to the Province of Manitoba and The Manitoba Teachers' Society (MTS). This information is critical for the province and MTS to make informed decisions on contribution rates and benefit levels.

The funding status of Accounts A and B is determined by an actuarial funding valuation. By law, a funding valuation must be prepared at least every three years. The last valuation was performed as of January 1, 2006. The next valuation is scheduled to be completed in 2009 and will assess the status of Accounts A and B as of January 1, 2009.

The funding valuation is conducted by an independent actuarial firm. The current plan actuary is Aon Consulting Inc. The valuation is focused primarily on Account A. This is because, as the obligation of Account B to fund certain basic pension benefits is supported by a statutory reimbursement commitment from the province, Account B has historically been assumed to be fully funded at all times. The balance of this commentary will therefore focus on Account A.

The funding status of Account A is determined by quantifying the value of all assets held as at the valuation date, and comparing this to the present value of the liabilities for all future payment obligations as at the valuation date. If the value of the assets exceed the liabilities, the plan is considered to be in a "surplus" position; if the liabilities exceed the value of the assets, the plan is considered to be in a "deficit" position.

ACTUARIAL ASSUMPTIONS

In order to determine the assets and liabilities of the plan, it is necessary to make a number of assumptions about the future. These assumptions involve both economic and non-economic items.

The primary economic assumptions made in connection with the 2006 valuation are set out in the table below.

The valuation also assumes that member contribution rates will remain at the current level and that there is no change to the benefit formula.

Brenda Venuto, Vice President, Member Services works closely with actuary Tim McGorman of Aon Consulting to monitor our funding status.

It is also noted that TRAF does not "smooth" or otherwise adjust the investment earnings of Account A.

The primary non-economic assumptions relate to the incidence of mortality, retirement and termination (withdrawal from teaching for reasons other than death or retirement). Each of these assumptions is based on estimates developed and considered reasonable by the actuary.

The table on the next page summarizes the results of the 2006 valuation.

PRIMARY ECONOMIC ASSUMPTIONS

Item	Assumption[1]
Net Rate of Return on Plan Assets	6.25%
Inflation	2.50%
Cost of Living Adjustments	0.80%
Salary Increases	3.00% pre-2012; 3.25% post-2011
Seniority, Merit and Promotional Increases	0.50% to 4.50%
YMPE Increases[2]	3.00%

[1] All rates are per annum.
[2] The Yearly Maximum Pensionable Earnings (YMPE) is the maximum pensionable earnings under the Canada Pension Plan.

SUMMARY OF ACCOUNT A FUNDING VALUATION AS OF JANUARY 1, 2006

($ millions)	Accrued Benefits	Future Benefits	Total
Assets	$ 2,333.6[1]	$ 569.2[2]	$ 2,902.8
Liabilities & Expense Reserve	2,164.1	751.5	2,915.7
Surplus/(Deficit)	$ 169.5	$ (182.3)	$ (12.9)
Funded Ratio	107.9%	75.7%	99.6%

[1] This amount represents the Net Assets Available for Benefits (basic benefits portion) and the present value of certain annual payments to be received from the Province of Manitoba on account of amendments made to The Teachers' Pensions Act in 1970 and 1973. The future payments from the province had a present value of $27.2 million as of January 1, 2006. This amount is not carried as an asset on the Statement of Net Assets Available for Benefits.
[2] This represents the present value of all contributions expected to be received in the future from members of the plan as of January 1, 2006.

The fact that the present value of future contributions from current members (ie. assets) is $182.3 million less than the present value of the corresponding liabilities related to benefits for future service indicates that current members are not, based on the assumptions used in the valuation, contributing at a rate sufficient to fund their expected future benefits.

A copy of the actuarial funding valuation as of January 1, 2006 is available to members upon request.

EXTRAPOLATION OF VALUATION RESULTS

While extrapolating the results of an actuarial valuation has some inherent limitations, it is nonetheless an important way to monitor a plan's funding status. An extrapolation can incorporate actual investment results, contributions received and benefits paid since the last formal valuation. The limitations are that the plan's actual experience with respect to mortality, retirement and termination since the date of the last valuation will not be accounted for until the next formal valuation (ie. the extrapolation will continue to rely on assumptions for these variables). These amounts can only be determined once the actuary has analyzed the plan member data in connection with the formal actuarial valuation.

In addition, an extrapolation does not account for any changes in the assumptions from those used in the last funding valuation. As noted on the following page, there will be various changes in the assumptions used in the 2009 funding valuation.

The table below provides an extrapolation of the Account A funding status to January 1, 2009.

Based on this extrapolation, the funded ratio in respect of accrued benefits has decreased from 107.9% on January 1, 2006 to 93.4% on January 1, 2009. This decrease of $331 million is largely due to investment losses incurred in 2008. The funded ratio in respect of future benefits has remained fairly constant at approximately 76%. The total funded ratio has dropped from 99.6% to 88.9%.

It is also important to note that the audited financial statements of most pension plans, including TRAF's, only present the plans' position in respect of accrued benefits. That is, they do not include the value of future contributions to be received from current members, or the corresponding liabilities in respect of such members' future service.

EXTRAPOLATION OF ACCOUNT A FUNDING STATUS TO JANUARY 1, 2009

($ millions)	Accrued Benefits	Future Benefits	Total
Assets	$ 2,276.2[1]	$ 657.0[2]	$ 2,933.2
Liabilities & Expense Reserve	2,437.7	862.0	3,299.7
Surplus/(Deficit)	$ (161.5)	$ (205.0)	$ (366.5)
Funded Ratio	93.4%	76.2%	88.9%

[1] This amount represents the Net Assets Available for Benefits (basic benefits portion) and the present value of certain annual payments to be received from the Province of Manitoba on account of amendments made to The Teachers' Pensions Act in 1970 and 1973. The future payments from the province had a present value of $27.1 million as of January 1, 2009. This amount is not carried as an asset on the Statement of Net Assets Available for Benefits.
[2] This represents the present value of all contributions expected to be received in the future from members of the plan as of January 1, 2009.

PREPARATION FOR 2009 VALUATION

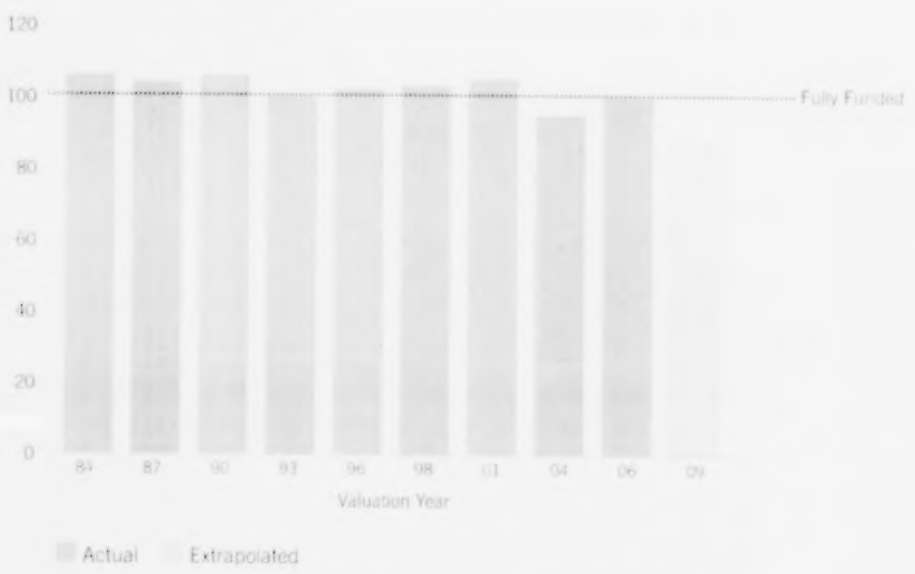
The results of an actuarial funding valuation are highly dependent on the underlying assumptions. Accordingly, TRAF must be diligent to ensure that the assumptions used are based on the best available information. During 2008, significant resources were applied to refine the non-economic assumptions to be used in connection with the 2009 valuation.

Specifically, TRAF engaged Aon Consulting to conduct experience studies to determine the actual incidence of mortality, retirement and termination within our member population for the five-year period from 2003 to 2007 inclusive. As a result of these studies, it is expected that the future gains and losses for actual experience will be reduced (ie. our assumptions regarding the future will be more accurate).

Had the results of these experience studies been available for the 2006 funding valuation, the deficit would have been approximately $81 million, rather than $12.9 million as noted above. This would have resulted in a funded ratio of 97.3% instead of 99.6%.

The 2009 valuation is expected to be completed by September 30, 2009, and results will be available to members after that date.

ACCOUNT A FUNDING STATUS



Province of Manitoba Trust Account

As previously reported, the Province of Manitoba established a trust account in 2001 for the purpose of accumulating funds for the eventual elimination of the province's unfunded pension obligations. As at December 31, 2008, the assets in the Province of Manitoba Trust Account (PMTA) totaled approximately $1.6 billion.

DEPOSITS

Effective April 2008, the province commenced making monthly contributions to the PMTA in amounts sufficient to match all current member contributions. The province may also make additional deposits from time to time. The province deposited $56.2 million into the PMTA in 2008.

INVESTMENT RETURN

The funds held in the PMTA are commingled with the plan assets for investment purposes. The PMTA is credited with investment earnings equal to that of Account A, less its proportionate share of internal and external investment management costs. In 2008, the net investment losses in the PMTA were $218.6 million. In addition, to the extent that the Pension Adjustment Account (PAA) is credited with interest greater than the rate of return on Account A, the cost of such preferred return to the PAA is borne by Account A and the PMTA on a pro-rata basis. On January 1, 2009, $15.7 million was transferred from the PMTA to Account A, representing the PMTA's share of the cost of the preferred return credited to the PAA in 2007 and 2008.

TRANSFERS TO ACCOUNT B

In 2007, the province commenced funding its monthly pension obligations by way of transfers from the PMTA. During 2008, $132.6 million was transferred from the PMTA to Account B for this purpose.

TRUST AMENDMENTS

In 2008, the terms of the trust were amended to make the trust "irrevocable." The result of this amendment is that the assets in the PMTA may only be used to fund the province's pension obligations under The Teachers' Pensions Act.

PMTA BALANCES

($ millions)

PMTA ACTIVITY

($ millions)	2008	2007
Balance at Beginning of Year	$ 1,886.9	$ 315.7
Deposits	56.2	1,552.8
Transfers to Account B	(132.6)	(21.6)
Net Investment Return	(218.6)	40.0
Balance at End of Year	$ 1,591.9	$ 1,886.9

Cost of Living Adjustments

A key feature of any pension plan is what provision, if any, is made to increase an individual's pension amount after the pension has commenced. Such increases are generally referred to as Cost of Living Adjustments or COLAs. Providing for a COLA is not mandatory, and not all pension plans provide COLAs.

If provided, COLAs may be tied to a portion of the increase in the Consumer Price Index (CPI) to a maximum of 100%. Some pension plans, such as TRAF, provide COLAs based on funding availability. It is important that all members understand the COLA provisions as they may affect retirement decisions.

TRAF'S MODEL

As mentioned, the TRAF pension plan only grants COLAs to the extent that they can be funded by a designated account known as the Pension Adjustment Account or PAA. The PAA was established in 1977 for the purpose of financing one-half of the COLAs granted to retired members. The province finances the other half of the COLAs as benefit payments are made.

FUNDING THE PAA

The PAA is currently allocated 16.6% of all member contributions. In 2008, this amounted to $10.8 million. The percentage of member contributions allocated to the PAA will increase by 0.1% every five years until the percentage reaches 17.0%. The next scheduled increase will occur on September 1, 2010.

The PAA is also credited with interest on its account balance. From its creation in 1977 until the end of 2006, the PAA was credited with interest equal to the net investment returns of the Fund's mortgage, bond and debenture holdings, compounded semi-annually. However, the applicable legislation was amended in 2008 to change the interest crediting formula.

Starting with 2007 and continuing until 2016, the method used to determine the interest rate to be credited to the PAA in each year will be as follows:

For the current year and each of the two prior years, the net rate of return on fixed income investments (which now includes mortgages, bonds, debentures and similar instruments) will be compared to the net rate of return on all investments, and the "greater of" these two rates will be selected as the PAA rate for that year.

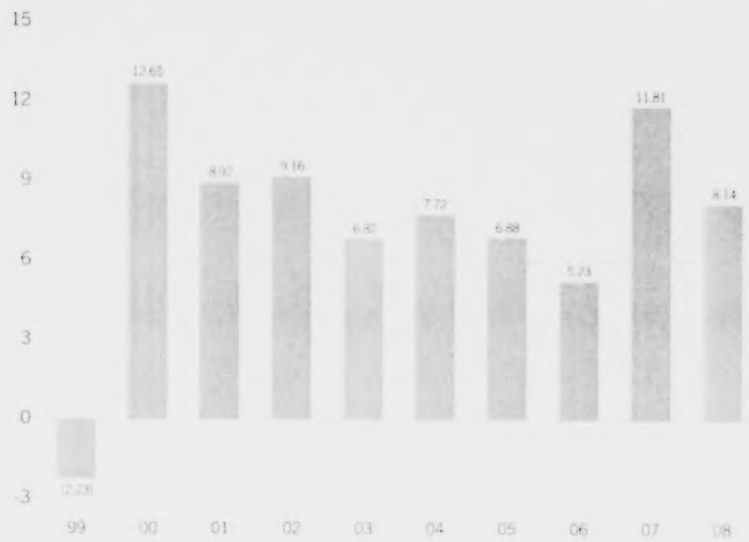
The PAA rate for each of these three years will then be averaged. This three-year average rate will be used to calculate the interest rate to be credited to the PAA for the current year.

The interest rate credited in any year is used as part of the formula to determine

Year	Net Rate of Return for Fixed Income	Net Rate of Return for all Fund Investments	"Greater of" Net Rate of Return (PAA Rate)	3-Year Average of the PAA Rate
2005	6.77%[1]	14.60%	14.60%	n/a
2006	5.16%[1]	15.37%	15.37%	n/a
2007	4.02%	5.47%	5.47%	11.81%[2]
2008	3.59%	(11.96%)	3.59%	8.14%[3]

[1] Recalculated under the revised formula, which does not provide for semi-annual compounding.
[2] The 2007 rate is the average of the PAA rate for 2005, 2006 and 2007.
[3] The 2008 rate is the average of the PAA rate for 2006, 2007 and 2008.

PENSION ADJUSTMENT ACCOUNT INTEREST CREDIT
(%)



the COLA to be granted in the following year. Accordingly, the 2008 interest credit of 8.14% was a factor in determining the 2009 COLA.

To the extent that the PAA is credited with interest greater than the investment return of the total portfolio, our contractual arrangements with the Province of Manitoba provide that the "cost" of such excess return shall be borne by Account A and the Province of Manitoba Trust Account (PMTA) on a pro-rata basis. The PAA interest rates for 2007 and 2008 were 11.81% and 8.14% respectively. The calculations are illustrated in the chart on the previous page. In both cases, this return exceeded that of the total fund.

The average annual interest rate credited to the PAA since inception in 1977 until the end of 2008 was 9.75%.

In 2017, the interest rate credited to the PAA will be the average net rate of return on all investments for 2017 and the prior two years. This formula will continue for future years. While moving to an interest rate equal to the return on all investments is expected to create greater volatility in the amount of future COLA granted, this volatility will be dampened or "smoothed" by maintaining the three-year averaging mechanism.

DETERMINING THE COLA

Once interest for the year has been credited to the PAA, the plan actuary conducts a valuation to determine the current liabilities for all prior COLAs. If this amount is less than the assets in the PAA, the resulting surplus may be used to support a COLA in the following year. The actuary will determine the exact amount of COLA that the surplus in the PAA can support based on various assumptions. COLA is applied to both the original base pension as well as all previously granted COLAs.

LIMITS ON COLA

Until 2017, the COLA in each year will be set at the lesser of:

- The maximum percentage the surplus in the PAA can support; and
- The lesser of (a) 5.33%, and (b) 2/3 of the percentage increase in the Consumer Price Index (CPI) for Canada, December over the preceding December.

Starting in 2018, COLA will be set at the lesser of the maximum percentage the PAA can support and the actual CPI. The 2/3 of CPI maximum will no longer apply.

Any surplus arising in the PAA as a result of the CPI-related cap described above ("restricted surplus") is to be set aside as a reserve until 2018 and may only be used for determining COLA to be granted after that time. However, the interest earned on such restricted surplus may be used to support additional COLA before 2018.

COLA can never be negative.

2008 COLA

The plan actuary determined that, after the amendments to the legislation were effected, there was a surplus of $22.4 million available to support a COLA

as at July 1, 2008. This surplus provided for a COLA in the amount of 1.44%. As the relevant increase in CPI for 2007 was 2.40%, the 2/3 cap of 1.60% did not restrict the COLA. This was an increase of 0.73% over the COLA amount of 0.71% that would have applied had the legislation not been amended.

Given that annual pension payments in 2007 were approximately $242 million, this COLA increased the overall pension payroll by about $3.5 million. This increases the base to which future COLA will be applied.

The 2008 COLA was also impacted by a one-time transfer from Account A to the PAA as of January 1, 2007 in the amount of $1,761,484. This transfer was authorized by the Board due to the omission to include the return on high yield bonds in the calculation of the interest to be credited to the PAA for calendar years 2000 to 2005 inclusive. This transfer accounted for 0.11% of the 2008 COLA. Accordingly, the 2008 COLA without this adjustment would have been 1.33%.

2009 COLA

The plan actuary determined that there was a surplus of $6.6 million available to support the COLA grant for 2009. This amount permitted the Board to grant a COLA of 0.37% effective July 1, 2009. This left the PAA with a surplus of $94,000 which will be carried forward and applied to the 2010 COLA. The relevant increase in CPI for 2008 was 1.20%. As the 2/3 CPI cap did not limit the 2009 COLA, there is no "restricted surplus" in the PAA.

As annual pension payments had increased to $258.1 million in 2008, this COLA will increase the aggregate pension payroll by just under $1 million per annum.

Copies of the actuarial reports regarding the PAA are available from our office upon request. Please also refer to the 10-Year Data Summary located in this report for details of the COLAs granted since 1999.

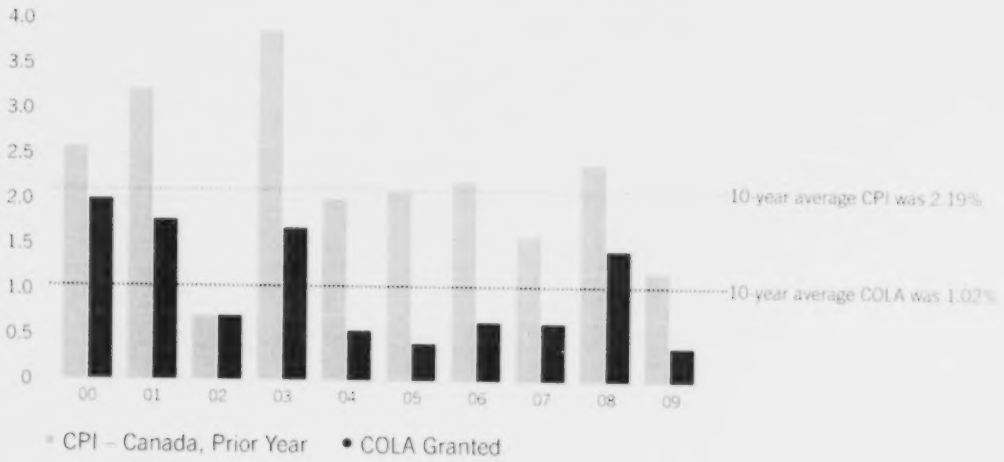
PAA ACTIVITY

($ millions)	2008	2007
Balance at Beginning of Year	**149.5**	145.6
Member Contributions	**10.8**	10.4
Pension Payments (COLA Portion)	**(14.9)**	(14.1)
Net Investment Return	**24.2**[1]	7.6
Balance at End of Year	**169.6**	149.5

[1] Of this amount, $11.4 million was retroactively allocated to 2007 pursuant to legislative amendments enacted in 2008.

CPI – COLA COMPARISON

(%)



FUTURE COLA

Given the number of variables involved, it is extremely difficult to predict the amount of future COLAs. While the improved interest crediting formula will result in larger COLAs over the long term, members are cautioned that there is no certainty of a COLA in any given year and the long-run average COLA could be significantly below the corresponding increase in CPI.

MAGGIE KELLER
Retired 2008
Dakota Collegiate
Years Teaching – 29

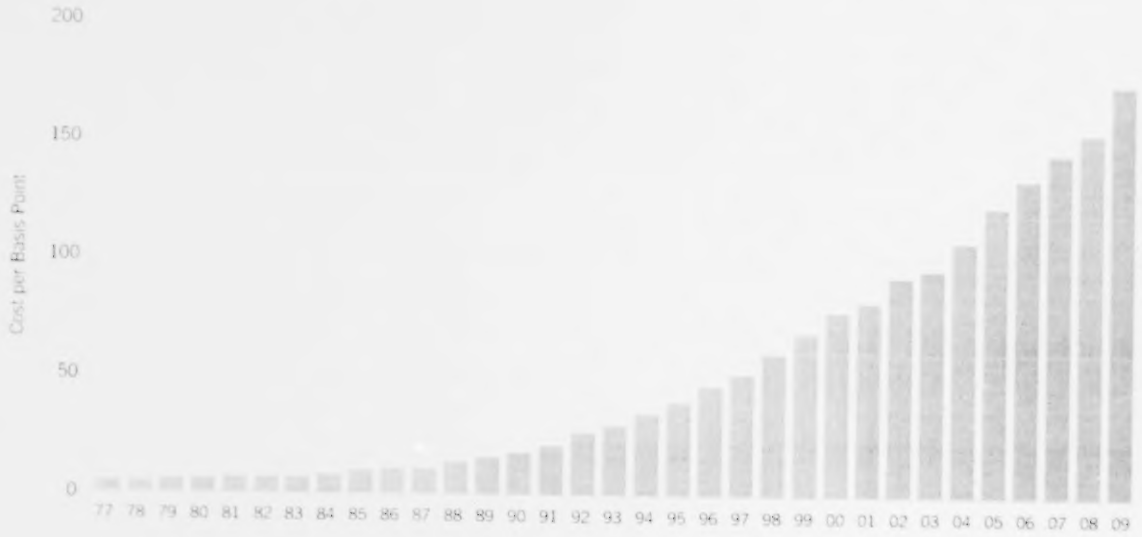
CHRISTINE ROBINSON
Grade 8
Robert Andrews School
Years Teaching – 6

JAMIE HOUSE
Class of 2009
University of Manitoba

COST OF COLA

This chart illustrates how the cost of a 0.01% COLA has increased since 1977. These increases are due to a variety of factors, including the increased amount of aggregate pensions, the increased life expectancy of retired members and the lower expected earnings on PAA account balances. In 2009, the COLA grant of 0.37% created a liability (or "cost") of about $6.5 million, which equates to approximately $176,000 for each 0.01% of COLA.

($ thousands)



Investments

TRAF's investments produced a gross return of -11.7% in 2008. While this was weak in absolute terms, our results were very strong relative to other comparable pension plans. TRAF ranked in the top quartile for the fifth consecutive year. The 2008 return was 2.6% over the Fund's benchmark.

2008 marked the fifth consecutive year that TRAF's return exceeded the benchmark. Over the past five years, TRAF's annualized gross return of 6.8% was 1.4% in excess of the benchmark return of 5.4%. The aggregate amount generated in Account A by such excess returns over this period is close to $200 million and represents over 8% of the assets available to support basic benefits.

OBJECTIVES

The general investment objective is to obtain the highest rate of return within the risk parameters established by the Statement of Investment Policies & Procedures (SIP&P) as approved by the Board.

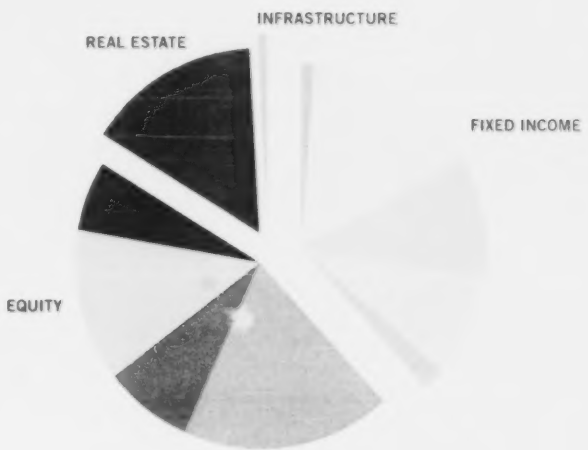
The specific investment objectives for the Fund over the long term as measured by moving five-year periods are as follows:

- Have the gross return exceed the aggregate return of the index-based benchmark portfolio by 50 basis points per annum; and
- Have the gross return exceed the median gross return of a universe of comparable balanced funds as calculated by an independent provider of performance measurement services; and
- Achieve the 6.25% expected rate of return assumed in the actuarial valuation report of Account A as of January 1, 2006.

We are pleased to report that TRAF has achieved each of these objectives over the past five years on an annualized basis.

INVESTED ASSETS

	Target (%)	Actual (%)
FIXED INCOME		
Cash & Short-Term	1.0	1.3
Public Bonds (Universe)	13.0	15.7
Public Bonds (Long)	8.0	10.7
Mortgages	9.0	8.9
High Yield Debt	5.0	1.8
Total	**36.0**	38.4
EQUITY		
Canadian Equity	17.0	18.4
US Equity	8.0	7.7
International Equity	15.0	13.3
Private Equity	8.0	6.3
Total	**48.0**	45.7
REAL ESTATE	14.0	15.1
INFRASTRUCTURE	2.0	0.8



ASSET ALLOCATION & BENCHMARKS

A fundamental step in achieving our investment objectives is to have investment assets properly allocated among the various asset classes. Our target and actual allocations are set out in the table below. The applicable benchmarks are also indicated.

		Target	Actual	
Asset Class	**Benchmark**	**(%)**	**(%)**	**($ millions)**
FIXED INCOME				
Cash & Short-Term	**DEX 91-Day T-Bill Index**	1.0	1.3	51.9[1]
Public Bonds (Universe)	**DEX Universe Bond Index**	13.0	15.7	625.9
Public Bonds (Long)	**DEX Long-Term Bond Index**	8.0	10.7	424.7
Mortgages	**DEX Conventional Mortgage Index**	9.0	8.9	354.5
High Yield Debt	**50% Merrill Lynch Canadian Issuers Index and 50% Merrill Lynch US High Yield Master II Index ($Cdn)**	5.0	1.8	70.6
TOTAL FIXED INCOME		**36.0**	**38.4**	**1,527.6**
EQUITY				
Canadian	**S&P/TSX 10% Capped Composite Index**	**17.0**	**18.4**	**734.1**
Large Cap Core		14.0	16.1	642.1
Large Cap Value		3.0	2.3	92.0
US	**Russell 3000 Index**	**8.0**	**7.7**	**306.3**
Large Cap Growth		2.0	2.2	89.6
Large Cap Value		3.0	2.8	110.3
Small-Mid Cap Growth		2.0	1.8	69.7
Small-Mid Cap Value		1.0	0.9	36.7
International	**MSCI All Country World Index (ex US)**	**15.0**	**13.3**	**531.6**
Large Cap Core		7.0	6.2	249.9
Large Cap Value		4.0	3.9	153.2
Small Cap Value		2.0	1.7	67.3
Emerging Markets		2.0	1.5	61.2
Private		**8.0[2]**	**6.3**	**249.4**
Equity-Oriented	**MSCI World Index +3%**	7.0	5.6	221.2
Debt-Oriented	**DEX Universe Bond Index +3%**	1.0	0.7	28.2
TOTAL EQUITY		**48.0**	**45.7**	**1,821.4**
REAL ESTATE				
Canadian	**IPD Canadian Property Index**	14.0	15.1	600.3
TOTAL REAL ESTATE		**14.0**	**15.1**	**600.3**
INFRASTRUCTURE				
Global	**CPI +5%**	2.0	0.8	33.5
TOTAL INFRASTRUCTURE		**2.0[3]**	**0.8**	**33.5**
TOTAL PORTFOLIO		**100.0**	**100.0**	**3,982.8**

[1] Aggregate cash held by all investment managers.
[2] Long-term target of 10.0%.
[3] Long-term target of 5.0%.

INVESTMENT MANAGERS

TRAF does not manage any assets internally. Rather, we engage various investment managers to select the individual stocks, bonds and other securities for each asset class on our behalf. A complete list of our current investment managers and links to their respective websites are available on our website, which also indicates the Top 10 Holdings of each public equity and real estate manager as of December 31, 2008. No investment managers were terminated, and no new managers were engaged in 2008.

FIRM	Amount Managed[1] ($ millions)
Greystone Managed Investments	
Cash & Short-Term	51.9
Public Bonds (Universe)	625.9
Mortgages	354.5
Canadian Equity	642.1
US Equity	89.6
Real Estate	600.3
• TD Asset Management	
Public Bonds (Long)	424.7[2]
Canadian Equity	92.0[2]
TD Capital Private Equity Investors	
Private Equity	346.2
Adams Street Partners	
Private Equity	263.8
• Goldman Sachs Asset Management	
US Equity	69.7
International Equity	125.6[2]
Dimensional Fund Advisors	
US Equity	36.7
International Equity	67.3
Emerging Markets Equity	61.2
Franklin Templeton Investments	
International Equity	153.2
• Hansberger Global Investors	
International Equity	124.3[2]
INTECH Investment Management	
US Equity	110.3
Marret Asset Management	
High Yield Debt	70.6[2]
• Other (less than $50 million each)	
Private Equity	199.1
Infrastructure	54.1

[1] Amounts indicated are based on invested capital with the investment manager, except private equity allocations, for which amounts are based on capital commitments. Total will be greater than invested assets as of December 31, 2008.
[2] Index mandate.
[3] Amount indicated is through a Greystone pool or subadvisory relationship.

PERFORMANCE RESULTS

When assessing our results, the performance of each mandate is compared to the benchmark index that has been selected by the Investment Committee and approved by the Board.

This quantitative analysis, together with other qualitative criteria, assists in the review of each investment manager. We also measure our overall portfolio performance against a weighted average of the passive benchmark returns based on our target allocations.

The table below shows the returns for each mandate, the total portfolio return and the corresponding benchmark return for the one-year, five-year and 10-year periods ending December 31, 2008. It is noted that each mandate has exceeded its benchmark over a 10-year period. Performance data for individual managers is not disclosed.

ANNUALIZED PERFORMANCE SUMMARY[1]

RETURNS (%)	1 - YEAR	5 - YEAR	10 - YEAR
TOTAL FUND	**-11.7**	**6.8**	**6.8**
Benchmark	-14.3	5.1	5.4
Value Added	2.6	1.7	1.4
FIXED INCOME			
Cash & Short-Term	**3.8**	**3.4**	**3.8**
Benchmark	3.3	3.3	3.7
Value Added	0.5	0.1	0.1
Public Bonds (Universe)	**4.5**	**5.5**	**6.1**
Benchmark	6.4	5.5	6.0
Value Added	-1.9	0.0	0.1
Public Bonds (Long)	**2.4**	**n/a**	**n/a**
Benchmark	2.7	n/a	n/a
Value Added	-0.3	n/a	n/a
Mortgages	**6.3**	**6.1**	**7.1**
Benchmark	10.6	6.2	6.7
Value Added	-4.3	-0.1	0.4
High Yield Debt	**-10.2**	**2.1**	**n/a**
Benchmark	-25.4	-0.6	n/a
Value Added	15.2	2.7	n/a
EQUITY			
Canadian	**-33.2**	**6.2**	**9.4**
Benchmark	-33.0	4.2	6.9
Value Added	-0.2	2.0	2.5
US	**-20.2**	**-0.7**	**-1.6**
Benchmark	-21.6	-3.2	-3.6
Value Added	1.4	2.5	2.0
International	**-32.7**	**0.1**	**-0.3**
Benchmark	-31.5	0.4	-1.4
Value Added	-1.2	-0.3	1.1
Private[2]	**0.2**	**n/a**	**n/a**
Benchmark	-16.6	n/a	n/a
Value Added	16.8	n/a	n/a
REAL ESTATE			
Canadian	**10.4**	**17.1**	**14.1**
Benchmark	3.2	13.7	11.9
Value Added	7.2	3.4	2.2
INFRASTRUCTURE[2]			
Global	**20.6**	**n/a**	**n/a**
Benchmark	6.2	n/a	n/a
Value Added	14.4	n/a	n/a

[1] Information compiled by BNY Mellon Asset Servicing, an independent provider of performance measurement services.
[2] Prior to 2006, Private Equity and Infrastructure returns were incorporated into Canadian Equity returns.

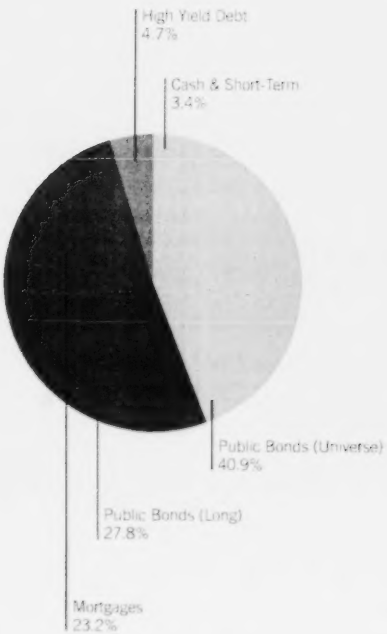
TRAF's assets are divided into four main asset classes – Fixed Income, Equity, Real Estate and Infrastructure.

FIXED INCOME

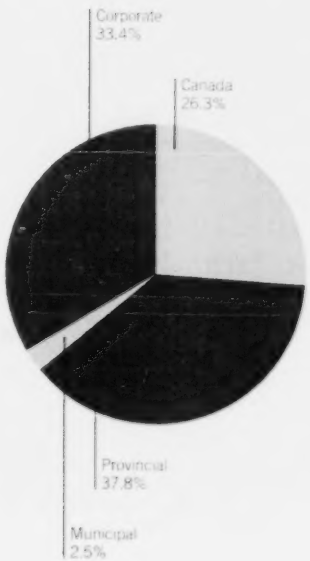
The Fund's fixed income portfolio includes investments in cash and other short-term vehicles, public bonds, mortgages and non-investment grade ("high yield") debt. TRAF has three fixed income managers – Greystone Managed Investments Inc. (Greystone), TD Asset Management Inc. (TDAM) and Marret Asset Management Inc. All investments are Canadian, except our high yield debt portfolio where 56% by value is from US issuers. The US-based high yield debt holdings are generally hedged so the Fund has no material currency exposure on any of its fixed income holdings. In 2008, the fixed income portfolio returned 3.6%. This was greater than the benchmark return of 2.7%.

The Investment Committee and management meet regularly with investment managers to monitor performance and review market conditions. Investment Committee Chair Mal Anderson (left) and President & CEO Jeff Norton (right) are pictured with Rob Vanderhooft, CEO of Greystone Managed Investments.

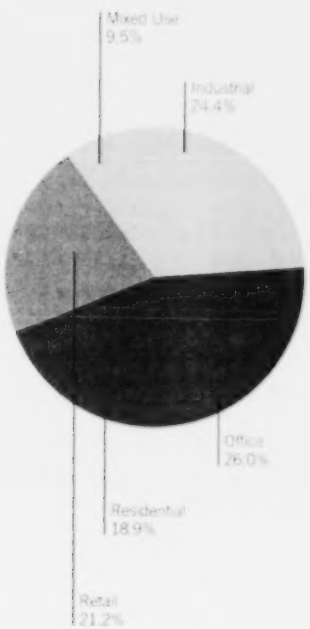
FIXED INCOME ASSET MIX



PUBLIC BONDS BY TYPE



MORTGAGES BY TYPE



EQUITY

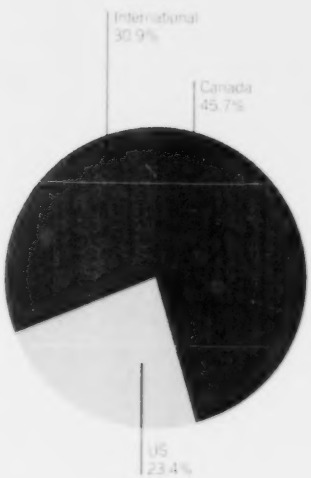
The equity asset class includes both public and private equity. The Fund's public equity portfolio is allocated among Canadian, US and international holdings. A total of seven investment firms manage public equities for TRAF. These firms are Greystone, TDAM, Goldman Sachs Asset Management, Dimensional Fund Advisors, Franklin Templeton Investments, Hansberger Global Investors and INTECH Investment Management. In addition to manager diversification, the portfolio is diversified by investment style and market capitalization.

TRAF's private equity portfolio is mostly made up of holdings in various private equity funds. Investments in such funds are either made directly or through the services of a fund-of-funds manager. Of TRAF's private equity investments at the end of 2008, 8.6% was in direct holdings, 31.1% related to direct fund investments and 60.3% was in fund-of-funds holdings. Refer to the Summary of Portfolio Holdings for a complete list of our private equity managers.

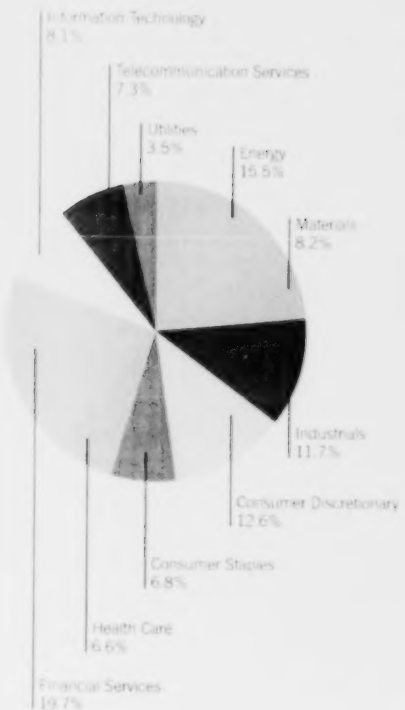
While 87.3% of the current private equity portfolio is Canadian or US holdings, TRAF intends to diversify and include more international investments over the coming years.

In 2008, TRAF's equity investments returned -27.9%. This is 1.6% over the benchmark of -29.5%. Public equity, which makes up approximately 86% of our total equity portfolio, returned -30.9% versus a benchmark return of -30.1%. TRAF's policy of not hedging foreign equity holdings added value in 2008 as the Canadian dollar depreciated relative to the US dollar and most other major currencies.

TOTAL EQUITY BY LOCATION



TOTAL EQUITY BY SECTOR



PRIVATE EQUITY BY MARKET SEGMENT

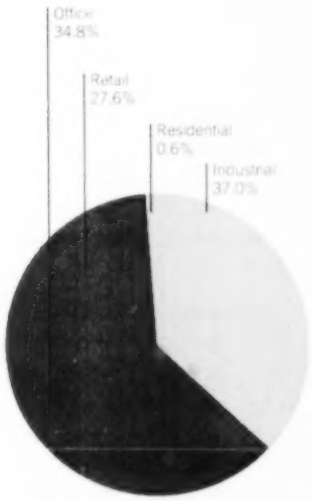
REAL ESTATE

TRAF made its first real estate investment in 1978, over 30 years ago. Today, real estate continues to provide strong returns for the Fund. The 2008 return was 10.4%, significantly exceeding the benchmark return of 3.2%. Over the past 10 years, real estate has delivered an annualized return of 14.1%.

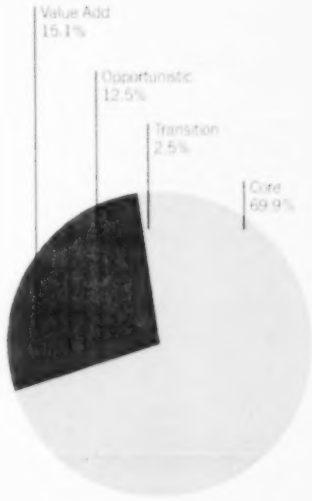
All current real estate holdings are in Canada and managed by Greystone. While TRAF is considering diversification outside of Canada, there are some tax and other issues that need to be fully considered prior to proceeding. In the meantime, we continue to diversify our Canadian holdings. At the end of 2008, we held interests in over 100 distinct properties in eight provinces. This reduces the risk in this part of our portfolio. We also maintain a relatively low level of debt against our properties to further mitigate risk. At the end of 2008, the aggregate leverage ratio of our real estate portfolio was 21.6%.

REAL ESTATE BY LOCATION

REAL ESTATE BY TYPE



REAL ESTATE BY MARKET SEGMENT



TRAF's real estate investments are handled by Greystone Managed Investments. While the portfolio now consists of interests in over 100 properties, the largest holding continues to be TRAF's partial ownership of 50 Bloor Street West in Toronto.

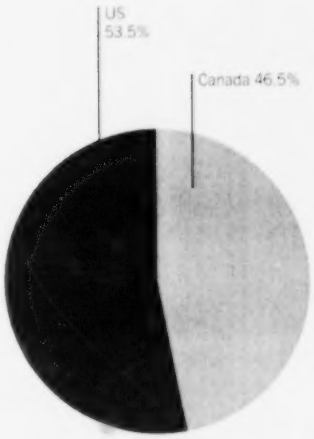
INFRASTRUCTURE

Infrastructure continues to be a small portion of the portfolio, comprising less than 1% of the total. Accordingly, while the 2008 return was 20.6%, it made little impact to the overall portfolio return. The benchmark return was 6.2%, which was calculated as 5% over CPI.

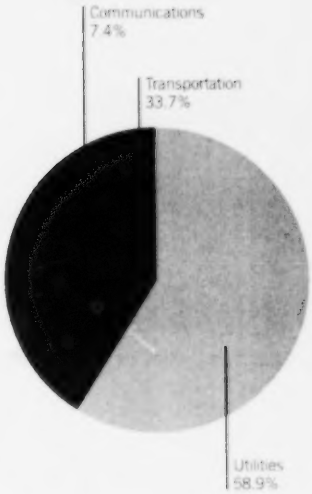
Over the next several years, TRAF plans to increase its infrastructure holdings to 5% of the total portfolio. It is expected that this will be achieved by investing in infrastructure funds, which is consistent with our strategy to date. Refer to the Summary of Portfolio Holdings for a complete list of our infrastructure managers.

While all investments to date have been in North America, it is expected that we will expand this to include Europe and other developed markets over the next several years.

INFRASTRUCTURE BY LOCATION



INFRASTRUCTURE BY SECTOR



Pictured here is a wind farm operated by Puget Sound Energy in Washington State. Through our relationship with Macquarie Funds Management, TRAF is an investor in this renewable energy development.

TRAF has invested in various infrastructure assets in the transportation sector, including the Halterm Container Terminal in Halifax, Nova Scotia. This asset also forms part of the portfolio managed by Macquarie Funds Management.

DIVERSIFICATION

The portfolio remains very diversified. At the end of 2008, we held interests in over 7,500 public companies in 43 countries. Our largest equity holding is TD Bank. At the end of 2008, our TD Bank holdings were worth $41 million, or approximately 1% of our total portfolio. Our private equity portfolio provides exposure to over 3,000 more companies.

TRAF's real estate portfolio now consists of over 100 properties. Our largest real estate holding is 50 Bloor Street West in Toronto, with our interest valued at $28 million at the end of 2008. Our infrastructure portfolio, while small in dollar value, includes over 20 separate properties.

At the manager level, TRAF currently has 10 managers with an allocation in excess of $50 million. The manager with the largest allocation continues to be Greystone, which directly or indirectly manages about 67% of our total assets across multiple mandates. While this is down from over 90% at the end of 2002, it remains a significant allocation to have with one manager. As such, TRAF maintains frequent contact with Greystone and closely monitors both quantitative factors such as performance as well as qualitative factors such as personnel changes, succession planning and overall firm financial health.

FOREIGN CURRENCY

Given the Fund's long investment horizon and desire for diversification, the general policy of the Fund is not to hedge foreign currency exposure related to holdings of non-Canadian equity. However, the Fund will generally hedge the foreign currency exposure related to holdings of non-Canadian fixed income. At the end of 2008, approximately $1.03 billion (25.8%) of the Fund's holdings were denominated in a currency other than the Canadian dollar. Of this,

approximately $44.3 million was in fixed income securities and therefore hedged to Canadian dollars.

SECURITIES LENDING

TRAF has a securities lending program administered by our custodian, CIBC Mellon Global Securities Services. Under the program, we lend securities to borrowers approved by the custodian. The loans are secured by either cash or marketable securities. In 2008, TRAF earned $1,346,922 from the program, representing a 68% increase over the 2007 amount of $802,766. This increase is largely due to the greater amount of assets in 2008.

INVESTMENT COSTS

It is common for pension plans to report investment returns on a gross (ie. before fees) basis, and all returns noted in this section of the report are on that basis. However, net returns are at least equally relevant to our members.

Our investment related expenses for 2008 are set out in the table below, together with those of 2007 for comparison purposes.

The investment manager fees are those paid to external managers for all asset classes other than private equity and infrastructure. The private equity manager fees are the base management fees charged in the year by fund-of-funds private equity managers. These fees result from an outsourcing decision by TRAF and are therefore included in our investment related costs. The other expenses reflect that portion of the overall general expenses that were incurred in connection with investment related activities.

The cost summary excludes management fees paid in respect of our direct fund (ie. non fund-of-funds) holdings for private equity and infrastructure, as well as any commissions paid in respect of trading publicly listed securities. However, all such costs have been deducted in determining our reported investment returns. That is, our 2008 return of -11.7% is after accounting for such costs.

Year-over-year, our total investment related costs increased by approximately $2.5 million (24.9%). Over 93% of the increase in costs is attributable to a larger average asset base in 2008 and the increasing amount of private equity investments, which have a higher cost structure.

To determine our costs per $100 of invested assets, the total investment related costs are divided by TRAF's average amount of invested assets throughout the year. Based on this methodology, our investment related costs in 2008 were 28 basis points, or $0.28 per $100 of invested assets. This is up $0.02 (7.7%) from 2007. Refer to the 10-Year Data Summary in this report for information on these costs since 1999.

After accounting for these costs and adding in securities lending revenue of 0.03%, TRAF's net investment return for 2008 was -11.96%.

Based on publicly available reports and other sources of information, TRAF's investment related costs are similar to, or less than, other plans of similar size and structure.

EXPENSE CATEGORY ($ thousands)	2008	2007
Investment Manager Fees	$ 7,957	$ 6,916
Private Equity Manager Fees	3,311	2,033
Salaries and Benefits	411	320
Office and Administration	58	63
Custody and Banking	352	382
Communications	4	3
Travel	19	13
Professional Fees	31	31
Board and Committees	29	25
Portfolio Oversight[1]	210	124
Total	$ 12,382	$ 9,910

[1] Includes items such as consulting fees for strategic initiatives at the overall portfolio level, due diligence activities in respect of existing new and monitoring existing investment managers, and certain custom reports that are prepared for TRAF by third parties to assist in our portfolio monitoring activities.

Summary of Portfolio Holdings

FIXED INCOME HOLDINGS

CASH & SHORT-TERM

TYPE	%
Treasury Bills	22
Bankers Acceptances	76
Commercial Paper	0
US Cash	2
	100

PUBLIC BONDS (UNIVERSE)

TYPE	%
Canada	20
Provincial	32
Corporate	45
Municipal	3
	100

PUBLIC BONDS (LONG)

TYPE	%
Canada	35
Provincial	46
Corporate	17
Municipal	2
	100

MORTGAGES

PROPERTY TYPE	%
Industrial	24
Office	26
Residential	19
Retail	21
Mixed Use	10
	100

PROPERTY LOCATION	%
Ontario	33
Alberta	26
Manitoba	5
British Columbia	26
Quebec	9
Saskatchewan	1
	100

HIGH YIELD DEBT

SECTOR	%
Basic Industry	9
Capital Goods	10
Consumer Cyclical	14
Consumer Non-Cyclical	1
Energy	30
Finance & Investment	4
Media	11
Real Estate	1
Services Cyclical	7
Services Non-Cyclical	3
Technology & Electronics	1
Telecommunications	9
	100

REGION	%
Canada	44
US	56
	100

NOTE

All assets managed by TRAF are commingled for investment purposes. Accordingly, any percentage breakdowns noted in this summary are consistent across all accounts. Dollar amounts include all holdings. Total investment holdings as at December 31, 2008, were valued at $3,982,773,000. Of this amount, 60% relates to the pension plan and 40% represents assets held in the Province of Manitoba Trust Account. Please refer to the audited financial statements for the breakdown by dollar amounts.

In certain cases, TRAF does not directly hold title to the individual securities noted but, rather, owns interests in one or more pooled investment vehicles which in turn holds title to such securities. In these situations, the information in this summary shows TRAF's indirect holdings and equivalent economic interests in the underlying securities.

EQUITY HOLDINGS

CANADIAN EQUITY

TOP 10 HOLDINGS	MARKET VALUE ($ thousands)	%[1]
Toronto Dominion Bank	40,973.9	5.6
TransCanada Corporation	32,775.9	4.5
Potash Corporation of Saskatchewan Inc.	32,094.8	4.4
Manulife Financial Corporation	31,522.4	4.3
EnCana Corporation	30,710.7	4.2
Bank of Nova Scotia	29,735.9	4.1
BCE Inc.	27,962.0	3.8
Canadian Natural Resources Limited	27,935.7	3.8
Barrick Gold Corporation	27,715.2	3.8
Rogers Communications Inc.	26,692.1	3.6

[1] Of total Canadian Equity holdings

SECTOR	%
Energy	25
Materials	12
Industrial	8
Consumer Discretionary	8
Consumer Staples	6
Health Care	0
Financial Services	24
Information Technology	5
Telecommunication Services	8
Utilities	4
	100

US EQUITY

TOP 10 HOLDINGS	MARKET VALUE ($ thousands)	%[1]
Exxon Mobil Corp.	7,943.1	2.6
Chevron Corp.	6,210.5	2.0
WalMart Stores Inc.	5,630.6	1.8
Procter & Gamble Co.	5,252.1	1.7
General Electric Co.	4,715.7	1.5
AT&T Inc.	4,302.9	1.4
Kroger Co.	4,004.3	1.3
McDonalds Corp.	3,979.2	1.3
Pfizer Inc.	3,579.0	1.2
Gilead Sciences Inc.	3,335.3	1.1

[1] Of total US Equity holdings

SECTOR	%
Energy	13
Materials	4
Industrial	14
Consumer Discretionary	12
Consumer Staples	11
Health Care	13
Financial Services	16
Information Technology	12
Telecommunication Services	3
Utilities	2
	100

EQUITY HOLDINGS

INTERNATIONAL EQUITY

TOP 10 HOLDINGS	MARKET VALUE ($ thousands)	%[1]
Telefonica SA	9,971.0	1.9
Nestle SA	9,463.5	1.8
Novartis AG	7,926.1	1.5
E. On AG	6,074.3	1.2
Nintendo Co.	5,984.5	1.1
BP PLC	5,873.6	1.1
Total SA	5,793.0	1.1
France Telecom SA	5,523.9	1.1
Vodafone Group PLC	5,506.6	1.1
Banco Santander SA	5,066.0	1.0

[1] Of total International Equity holdings.

REGION	%
Europe (except UK)	41
UK	17
Asia Pacific (except Japan)	8
Japan	17
Emerging Markets	17
	100

SECTOR	%
Energy	8
Materials	8
Industrial	14
Consumer Discretionary	11
Consumer Staples	8
Health Care	9
Financial Services	20
Information Technology	8
Telecommunication Services	10
Utilities	4
	100

PRIVATE EQUITY

HOLDINGS BY MANAGER (multiple funds noted in brackets)	COMMITTED[1] ($ thousands)	%[2]
TD Capital Private Equity Investors[3] (5)	346,167.5	42.8
Adams Street Partners[3] (6)	263,821.8	32.6
Torquest Partners (2)	35,000.0	4.3
Paul Capital Partners[3]	32,109.3	4.0
TD Capital Mezzanine Partners	25,000.0	3.1
CAI Capital Partners	20,000.0	2.5
Imperial Capital Management	20,000.0	2.5
Richardson Capital (2)	20,000.0	2.5
Frontier Capital Partners	17,000.0	2.1
CentreStone Ventures	10,000.0	1.2
Tricor Pacific Capital Partners	10,000.0	1.2
Penfund Management	10,000.0	1.2
	809,098.6	100.0

[1] Non-Canadian dollar denominated unfunded commitments have been converted to Canadian dollars at December 31, 2008. Non-Canadian dollar denominated funded commitments have been converted to Canadian dollars at the transaction date.
[2] Of total Private Equity commitments in the seven-year period ended December 31, 2008.
[3] Indicates a fund-of-funds manager.

REGION[1]	%
Canada	39
US	48
Europe	10
Asia Pacific	3
	100

[1] Based on portfolio company investment cost at September 30, 2008 (fund investment cost for fund-of-funds investments).

SECTOR[1]	%
Energy	7
Materials	3
Industrial	14
Consumer Discretionary	31
Consumer Staples	2
Health Care	13
Financial Services	11
Information Technology	11
Telecommunication Services	4
Utilities	4
	100

[1] Based on portfolio company investment cost at September 30, 2008 (fund investment cost for fund-of-funds investments).

MARKET SEGMENT[1]	%
Buyout	56
Venture	22
Debt	18
Other	4
	100

[1] Based on portfolio company investment cost at September 30, 2008 (fund investment cost for fund-of-funds investments).

REAL ESTATE HOLDINGS

TOP 10 HOLDINGS	MARKET VALUE[1] ($ thousands)	%[2]
50 Bloor Street West (Toronto)	27,974.8	4.7
Bramalea City Centre (Brampton)	20,427.2	3.4
Gateway Industrial Park (Edmonton)	18,101.4	3.0
Crossroads Shopping Centre (Winnipeg)	16,785.4	2.8
Scotia Place (Edmonton)	15,911.4	2.7
Seven Oaks Shopping Centre (Vancouver)	15,323.0	2.6
Skyview Power Centre (Edmonton)	14,747.8	2.5
Discovery Place (Vancouver)	14,696.4	2.5
Stock Exchange Tower (Calgary)	14,150.3	2.4
Foothills Industrial Park (Calgary)	13,997.4	2.3

[1] Of TRAF's interest (appraised value net of working capital and mortgage debt).
[2] Of total Real Estate holdings. Includes interests held through ownership of shares in Greystone Real Estate Fund Inc.

PROPERTY TYPE	%
Industrial	37
Office	35
Retail	27
Residential	1
	100

PROPERTY LOCATION	%
Alberta	32
Ontario	30
British Columbia	22
Manitoba	6
Saskatchewan	4
Quebec	3
Atlantic Canada	3
	100

MARKET SEGMENT	%
Core	70
Value Add	15
Opportunistic	13
Transition	2
	100

PORTFOLIO LOAN-TO-VALUE RATIO 21.6%

INFRASTRUCTURE HOLDINGS

HOLDINGS BY MANAGER (multiple funds noted in brackets)	COMMITTED[1] ($ thousands)	%[2]
Macquarie Funds Management (2)	37,189.6	68.8
CFI Capital (1)	16,875.0	31.2
	54,064.6	100

[1] Non-Canadian dollar denominated unfunded commitments have been converted to Canadian dollars at December 31, 2008. Non-Canadian dollar denominated funded commitments have been converted to Canadian dollars at the transaction date.
[2] Of total Infrastructure commitments in the seven-year period ended December 31, 2008.

LOCATION[1]	%
Canada	47
US	53
	100

[1] Based on portfolio company investment cost at September 30, 2008.

SECTOR[1]	%
Utilities	59
Transportation	34
Communications	7
Social	0
	100

[1] Based on portfolio company investment cost at September 30, 2008.

10-Year Data Summary

(AS OF DECEMBER 31 UNLESS OTHERWISE NOTED; NUMBERS MAY NOT ADD DUE TO ROUNDING)

FINANCIAL STATEMENT DATA ($ millions)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Inflows										
Member Contributions	45.0	46.0	47.5	52.6	50.9	52.4	57.9	65.1	65.6	67.4
Provincial Contributions	71.3	74.3	83.2	89.8	102.6	105.9	113.2	124.6	129.0	134.9
Investment Income[1]	69.2	73.7	72.5	80.7	65.3	60.1	52.5	51.7	98.1	108.0
Investments – Change in Value[2]	100.5	116.5	(31.7)	(124.8)	163.3	174.6	265.4	308.6	35.9	(434.1)
Other Contributions (eg. reciprocal transfers)	0.2	0.9	0.9	0.8	1.9	2.4	0.8	2.5	1.8	2.2
Total	**286.2**	**311.4**	**172.4**	**99.1**	**384.0**	**395.4**	**489.8**	**552.5**	**330.4**	**(121.6)**
Outflows										
Pension Payments	130.8	141.0	157.0	169.2	183.0	197.2	212.0	227.1	242.0	258.1
Other Payments (eg. refunds, reciprocal transfers)	11.4	8.2	9.0	10.4	22.5	15.1	14.3	23.9	16.9	13.2
Administrative Expenses[3]	2.3	2.4	3.0	2.9	3.0	3.6	4.0	3.9	3.2	3.2
Total	**144.5**	**151.6**	**169.0**	**182.5**	**208.5**	**215.9**	**230.3**	**254.9**	**262.1**	**274.5**
Net Increase (Decrease)	**141.7**	**159.8**	**3.4**	**(83.4)**	**175.5**	**179.5**	**259.5**	**297.6**	**68.3**	**(396.1)**
Assets Available for Benefits										
Basic Benefit Account	1,661.3	1,812.9	1,793.8	1,703.4	1,876.3	2,051.3	2,306.4	2,600.8	2,665.3	2,249.1
Pension Adjustment Account	93.2	101.4	123.9	130.9	133.5	138.0	142.4	145.6	149.5	169.6
Total	**1,754.5**	**1,914.3**	**1,917.7**	**1,834.3**	**2,009.8**	**2,189.3**	**2,448.8**	**2,746.4**	**2,814.8**	**2,418.7**

[1] Net of investment management fees and allocation to trust accounts.
[2] Net of allocation to trust accounts.
[3] Prior to 2007, this amount included the expenses categorized as "Other Investment Related Expenses" under Investment Costs.

PROVINCE OF MANITOBA TRUST ACCOUNT ($ millions)										
New Teacher Account	-	-	0.9	7.3	18.6	20.9	32.5	48.8	65.1	71.7
General Account	-	-	12.5	74.1	116.1	130.4	194.1	266.9	1,821.8	1,520.2
Total	**-**	**-**	**13.4**	**81.4**	**134.7**	**151.3**	**226.6**	**315.7**	**1,886.9**	**1,591.9**

MEMBERSHIP DATA										
Membership										
Active (as of July 31)	14,430	14,633	14,729	14,786	14,819	14,937	14,975	14,983	14,987	15,122
Retired	7,252	7,643	8,155	8,606	9,048	9,575	10,134	10,663	11,139	11,603
Deferred	6,500	6,944	6,500	6,500	7,143	7,185	7,417	6,259	6,019	6,283
Total	**28,182**	**29,220**	**29,384**	**29,892**	**31,010**	**31,697**	**32,526**	**31,905**	**32,145**	**33,008**
Active to Retired Ratio	**2.0:1**	**1.9:1**	**1.8:1**	**1.7:1**	**1.6:1**	**1.6:1**	**1.5:1**	**1.4:1**	**1.3:1**	**1.3:1**
New Retired Members	**521**	**537**	**614**	**574**	**565**	**658**	**679**	**673**	**625**	**625**
Administrative Cost per Member[1]	**$83**	**$87**	**$111**	**$103**	**$109**	**$118**	**$131**	**$121**	**$114**	**$113**

[1] Based on Active and Retired Members only (ie. excludes Deferred Members).

INVESTMENT DATA[1]		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Investments ($ millions)											
Fixed Income	Cash & Short-Term	23.4	29.1	10.1	66.7	2.9	14.8	73.9	31.1	95.4	51.9
	Public Bonds (Universe)	703.2	661.5	566.3	569.1	588.3	608.8	620.9	715.3	1,012.1	625.9
	Public Bonds (Long)	-	-	-	-	-	-	-	-	417.3	424.7
	Mortgages	76.7	87.9	95.2	111.4	151.7	161.2	186.6	200.1	277.4	354.5
	High Yield Debt	-	43.8	48.2	60.8	54.3	42.8	56.6	56.4	61.5	70.6
Equity	Canadian	474.8	581.7	576.4	518.1	680.3	753.8	768.3	857.5	980.2	734.1
	US	141.1	171.0	263.6	194.5	221.0	233.0	263.4	327.1	363.5	306.3
	International	181.5	182.3	179.2	201.2	207.0	193.1	251.5	321.3	750.3	531.6
	Private	26.8	28.9	25.4	17.7	37.0	54.3	110.3	162.4	195.6	249.4
Real Estate	Canadian	117.5	119.7	156.4	156.8	193.5	258.6	325.7	369.7	506.0	600.3
Infrastructure	Global	-	-	-	-	-	5.4	8.3	5.3	25.1	33.5
Total		**1,744.9**	**1,905.9**	**1,920.7**	**1,896.4**	**2,135.8**	**2,325.8**	**2,665.8**	**3,046.2**	**4,684.4**	**3,982.8**
Investment Performance (%)											
Gross Rate of Return		10.7	11.0	2.3	(2.1)	13.0	12.1	14.8	15.6	5.7	(11.7)
Benchmark Return		13.0	8.3	(1.6)	(4.6)	14.2	10.6	13.2	13.7	5.2	(14.3)
Value Added before Investment Costs		**(2.3)**	**2.7**	**3.9**	**2.5**	**(1.2)**	**1.5**	**1.6**	**1.9**	**0.5**	**2.6**
Quartile Ranking		**3rd**	**2nd**	**2nd**	**1st**	**3rd**	**1st**	**1st**	**1st**	**1st**	**1st**
Investment Costs ($ millions)											
Investment Manager Fees		3.4	2.4	3.1	3.0	3.3	3.9	4.4	5.3	6.9	8.0
Private Equity Manager Fees[2]		-	-	-	-	0.7	0.8	0.8	1.4	2.0	3.3
Other Investment Related Expenses		0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	1.0	1.1
Total		**3.9**	**3.9**	**3.6**	**3.5**	**4.5**	**5.3**	**5.8**	**7.3**	**9.9**	**12.4**
Investment Costs per $100 of Assets[3]		**$0.23**	**$0.21**	**$0.19**	**$0.18**	**$0.22**	**$0.24**	**$0.23**	**$0.26**	**$0.26**	**$0.28**

[1] Includes Province of Manitoba Trust Account.
[2] The stated fees are the base fees charged in the year by private equity fund-of-funds managers.
[3] Costs are based on an asset level equal to the midpoint between the value of the respective year's opening and closing total investments.

VALUATION DATA ($ millions)										
Basic Benefit Account (as of January 1)										
Surplus (Deficit) - Valuation Years Only	-	-	102.9	-	-	(126.5)	-	(12.9)	-	-
Rate of Return Assumption (net) (%)	-	-	7.00	-	-	6.75	-	6.25	-	-
Inflation Assumption (%)	-	-	3.00	-	-	2.50	-	2.50	-	-

COST OF LIVING ADJUSTMENT (COLA) DATA										
Consumer Price Index (CPI) - Prior Year (%)	1.02	2.68	3.23	0.70	3.88	2.00	2.10	2.20	1.60	2.40
COLA Granted (%)	0.78	2.00	1.77	0.70	1.68	0.54	0.40	0.64	0.63	1.44
COLA Granted (% of CPI)	76.5	77.5	54.8	100.0	43.3	27.0	19.0	29.1	39.4	60.0

Audited Financial Statements

MANAGEMENT RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Teachers' Retirement Allowances Fund and all the information in this Annual Report are the responsibility of management and have been approved by the Board. The consolidated financial statements include some amounts, such as the market value of investments, that are necessarily based on management's best estimates and judgement.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the Annual Report are consistent with the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains the internal control systems and practices necessary to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The firm of Aon Consulting Inc. has been appointed the independent consulting actuary to the Fund. The role of the actuary is to complete an actuarial valuation of the Fund in accordance with accepted actuarial practice; the results of the valuation are included in the consolidated financial statements.

Ultimate responsibility for the financial statements rests with the Board, which is assisted in its responsibilities by the staff and the Audit Committee. The Audit Committee is comprised of two Board members and one external member. The Audit Committee reviews the Auditor's Report and the financial statements and makes recommendations to the Board concerning approval.

The Fund's independent external auditor, the Auditor General of Manitoba is responsible for auditing the consolidated financial statements of the Fund and for issuing their report thereon. The Auditor General has full and unrestricted access to the Audit Committee.

Jeff Norton, LLM, CFA
President & CEO

Jamie Oliver, CMA
Chief Accountant

March 9, 2009
Winnipeg, Manitoba

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Members of the Teachers' Retirement Allowances Fund

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus/(deficit) of the Teachers' Retirement Allowances Fund as at December 31, 2008, and the consolidated statements of changes in net assets available for benefits, and changes in accrued pension benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and surplus/(deficit) of the Fund as at December 31, 2008, and the changes in net assets available for benefits, and the changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by
Carol Bellringer

Carol Bellringer, FCA, MBA
Auditor General

Office of the Auditor General

March 9, 2009
Winnipeg, Manitoba

CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND SURPLUS/(DEFICIT)

AS AT DECEMBER 31, 2008

($ thousands)	ACCOUNT A					2008	2007
	Basic Benefits Account	Pension Adjustment Account	MTS Trust Account	MAST Trust Account	Province of Manitoba Trust Account	Total	Total
Assets							
Investments, Note 3	$ 2,216,345	$ 168,942	$ 5,306	$ 240	$ 1,591,940	**$ 3,982,773**	$ 4,684,377
Investment income receivable	20,918	-	-	-	-	**20,918**	12,162
Receivable for settlement of outstanding trades	618	-	-	-	-	**618**	-
Contributions and other receivables, Note 4	16,237	685	-	-	-	**16,922**	16,486
Cash	7,239	-	-	-	-	**7,239**	9,948
Computer and office equipment, Note 5	173	-	-	-	-	**173**	217
Prepaid expense	7	-	-	-	-	**7**	7
Total Assets	2,261,537	169,627	5,306	240	1,591,940	**4,028,650**	4,723,197
Liabilities							
Accrued liabilities	7,733	-	-	-	-	**7,733**	6,039
Payable for settlement of outstanding trades	-	-	-	-	-	**-**	4,501
Money Purchase Accounts, Note 7	1,630	-	-	-	-	**1,630**	1,628
Employer Trust Accounts, Note 8							
The Manitoba Teachers' Society (MTS)	-	-	5,306	-	-	**5,306**	5,966
Manitoba Association of School Trustees (MAST)	-	-	-	240	-	**240**	308
Province of Manitoba Trust Account, Note 9	-	-	-	-	1,591,940	**1,591,940**	1,886,861
Provision for Fund's share of employees' pension benefits, Note 10	3,113	-	-	-	-	**3,113**	3,130
Total Liabilities	12,476	-	5,306	240	1,591,940	**1,609,962**	1,908,433
Net Assets Available for Benefits	$ 2,249,061	$ 169,627				**$ 2,418,688**	$ 2,814,764
Accrued Pension Benefits, Note 19	2,437,662	169,533				**2,607,195**	2,482,185
Accrued Surplus/(Deficit)	$ (188,601)	$ 94				**$ (188,507)**	$ 332,579

The accompanying notes are part of these financial statements.

On behalf of the Board

Mal Anderson, CA
Chair

Raymond Desrochers

Ray Desrochers, CA
Board Member

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2008

($ thousands)	ACCOUNT A		2008	2007
	Basic Benefits Account	Pension Adjustment Account	Total	Total
Net Assets Available for Benefits, Beginning of Year	$ 2,665,273	$ 149,491	**$ 2,814,764**	$ 2,746,449
Increase in Assets				
Contributions, Note 11	193,670	10,832	**204,502**	196,446
Net investment income, Note 12	83,816	24,171	**107,987**	98,136
Change in fair value of investments, Note 13	-	-	**-**	35,840
Total Increase in Assets	277,486	35,003	**312,489**	330,422
Decrease in Assets				
Benefits paid	243,210	14,867	**258,077**	242,033
Refunds	8,076	-	**8,076**	9,965
Transfers under reciprocal agreements	5,100	-	**5,100**	6,934
Administrative expenses, Note 16	3,218	-	**3,218**	3,175
Change in fair value of investments, Note 13	434,094	-	**434,094**	-
Total Decrease in Assets	693,698	14,867	**708,565**	262,107
Change in Net Assets	(416,212)	20,136	**(396,076)**	68,315
Net Assets Available for Benefits, End of Year	$ 2,249,061	$ 169,627	**$ 2,418,688**	$ 2,814,764

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2008

($ thousands)	ACCOUNT A		2008	2007
	Basic Benefits Account	Pension Adjustment Account	Total	Total
Accrued Pension Benefits, Beginning of Year	$ 2,344,523	$ 137,662	**$ 2,482,185**	$ 2,388,492
Change in assumptions	-	9,623	**9,623**	1,017
Experience losses/(gains)	-	1,378	**1,378**	741
Adjusted Beginning of Year	2,344,523	148,663	**2,493,186**	2,390,250
Increase/(Decrease) in Accrued Pension Benefits				
Interest on accrued benefits	144,915	6,901	**151,816**	144,816
Benefits accrued	70,464	28,836	**99,300**	77,569
Benefits paid	(122,240)	(14,867)	**(137,107)**	(130,450)
Change in Accrued Pension Benefits	93,139	20,870	**114,009**	91,935
Accrued Pension Benefits, End of Year	$ 2,437,662	$ 169,533	**$ 2,607,195**	$ 2,482,185

The accompanying notes are part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1. DESCRIPTION OF PLAN

The following description of the Teachers' Retirement Allowances Fund ("the Fund") is a summary only. For more complete information, reference should be made to The Teachers' Pensions Act ("the Act"), as amended.

(A) GENERAL

The Teachers' Retirement Allowances Fund Board ("the Board") was originally constituted under an Act passed at the 1925 session of the Manitoba Legislature. The Board currently operates under the authority of the Act. The Board is charged with responsibility for administering the Act and functions as trustee of a fund maintained to provide defined benefit pensions to public school teachers in Manitoba.

The Act provides for distinct and separate accounts in the Fund, known respectively as Account A and Account B. In Account A, the Fund records the net assets arising from member contributions and all payments of pensions, allowances and expenses. Account A also receives a transfer from Account B as reimbursement for the Province of Manitoba's half of the pensions paid by the Fund. Account B records the receipt of the Province's payments for its share of pensions paid and certain other payments as described in the Act. Account B is reduced by transfers to Account A. The balance of Account B is reflected as a receivable on the consolidated statement of net assets available for benefits, Note 4.

The Fund maintains separate trust accounts for The Manitoba Teachers' Society (MTS) and the Manitoba Association of School Trustees (MAST). Qualifying employees of these organizations are considered to be teachers for purposes of participating in the Fund. Employer obligations for benefits, in respect of these individuals, are funded through these separate trust accounts.

The Fund holds monies in trust and makes investments on behalf of the Province of Manitoba ("the Province"). These investments are commingled with investments made by the Fund. The Province of Manitoba Trust Account is shown as a liability on the statement of net assets available for benefits, Note 9.

The Fund also keeps separate Money Purchase Accounts on behalf of eligible participants as defined in the Act, Note 7.

(B) FUNDING

The Act requires all public school teachers in Manitoba, except those receiving disability benefits in accordance with the Act, to contribute to the Fund on a basis related to their salary. Members contribute 6.8% on pensionable earnings up to the Canada Pension Plan's yearly maximum pensionable earnings (YMPE) and 8.4% on pensionable earnings in excess of the YMPE up to the maximum salary for which a defined benefit can be accrued under the Income Tax Act. In accordance with the Act, 83.4% of contributions are used to fund basic benefits and 16.6% of contributions are allocated to the Pension Adjustment Account for the purpose of indexing benefits. Under the Act, the amount allocated to the Pension Adjustment Account is increased by 0.1% every five years until the percentage reaches 17%. The next scheduled increase will occur on September 1, 2010.

In accordance with the Act, the Province contributes its share of pensions paid during the year and certain other statutory charges. The Province's liability for pension benefits, which is approximately $2.6 billion, is unfunded, although the assets held in the Province of Manitoba Trust Account cannot be used for any purpose other than to fund the Province's liabilities under the Act and to pay the costs and expenses that are directly attributable to the administration of the trust account. Note 9 and Note 19.

(C) RETIREMENT PENSIONS

Members who retire with at least 10 years of qualifying service are eligible to receive an unreduced pension at age 60, or as early as age 55 where combined age and service equals 80, provided that two of the years are within a 10-year period ending after 1984. Members are otherwise eligible for a reduced pension at age 55. The reduction in pension is offset by a bridging benefit payable to the earlier of age 65 or death. Members who have fewer than 10 years but more than two years of qualifying service are eligible for a pension at age 65. All members must commence pension benefits no later than age 71.

(D) REFUNDS

Subject to lock-in provisions, refunds are available when a member ceases to be an eligible member of the Fund.

(E) DEATH BENEFITS

i. Active members

Upon the death of an active member, a lump sum is payable to the estate or beneficiary based on pre-1985 contributions and interest and the commuted value of the post-1984 deferred pension. A spouse may elect to convert the lump sum benefit to a monthly annuity. Where the service is non-vested, the benefit payable is the contributions and interest accumulated in 1985 and later.

ii. Retired members

Upon the death of a member in receipt of a pension, pension benefits continue to be paid to a beneficiary where a guaranteed or survivor option has been selected. Where the contributions and interest accumulated at the pension effective date is greater than the pension paid out to the date of death, the excess is payable to the estate or beneficiary.

(F) OTHER PROVISIONS

i. Buybacks

Purchase of past service and reinstatement of refunded service is allowed, pursuant to the terms and conditions contained in the Act.

ii. Relationship breakup

Where a marriage or common-law relationship has broken up in 1984 or later, the spouse/partner is entitled to one-half the value of the pension earned during the period of relationship, pursuant to the terms and conditions contained in the Act.

iii. Teaching while receiving a pension

A member, who retires and returns to teach within 90 calendar days of retirement, is deemed not to have retired. The member must repay any pension benefits received and resume contributing to the Fund. Following the 90-day provision noted above, a retired member can return to teach and continue to receive a pension provided that such member does not teach for more than 120 days in any school year. For the purposes of this provision, teaching more than 50% of a day is considered to be a full day. Effective as of the 121st day of teaching in any school year, the member's pension is suspended and the member must resume contributing to the Fund.

iv. Reciprocal Transfer Agreements

The Act authorizes the transfer of pensionable service in accordance with the terms of a Reciprocal Transfer Agreement between the participating organizations.

10) COST OF LIVING ADJUSTMENTS

Pensions are adjusted annually by the lesser of two-thirds of the change in the Canada Consumer Price Index (December over December), or the amount available in the Pension Adjustment Account to fund one-half of the cost of living adjustment. Any surplus in the Pension Adjustment Account that arises by virtue of the cost of living adjustment being limited to two-thirds of the change in the Canada Consumer Price Index shall be reserved until the end of 2017 and thereafter used only for determining pension adjustments in accordance with the regulations to the Act. For 2018 and subsequent years, the limit on cost of living adjustments will be the change in the Canada Consumer Price Index (not two-thirds thereof) and the amount actuarially available in the Pension Adjustment Account to fund one-half of the cost of living adjustment.

11) INCOME TAXES

The Fund is a Registered Pension Plan as defined in the Income Tax Act and is not subject to Canadian income taxes. The Fund's registration number is 0273698.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

The Fund's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

These financial statements consolidate the assets, liabilities, revenues and expenses of the Fund and of its wholly owned subsidiary, TRAF Realty Ltd. TRAF Realty Ltd. is incorporated under The Corporations Act of Manitoba and was primarily engaged in acquiring real estate property in Manitoba. As of December 31, 2008, TRAF Realty Ltd. did not own any properties and was in the process of being wound up.

(B) VALUATION OF INVESTMENTS

Investments are stated at fair value on a trade date basis. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. The Fund maintains a written Valuation Handbook which sets out the valuation methodology for each type of asset held. The Valuation Handbook is annually reviewed by the Audit Committee and approved by the Board. Some of the material provisions of the Valuation Handbook are as follows:

i. Publicly traded investments

Publicly traded investments are stated at year-end market prices as listed on the appropriate stock exchange, or as provided by the Fund's custodian from independent sources.

ii. Money market securities

Domestic money market securities are stated at cost which approximates market value. Foreign money market securities are stated at cost and adjusted for any foreign currency fluctuations as determined by the custodian.

iii. Bonds and debentures

Bonds and debentures are stated at year-end market prices as determined by the custodian.

iv. High yield debt

High yield debt, according to the characteristics of the specific debt instruments, is stated at market value based on bid prices, discounted cash flows or recorded at cost where no market value is available.

v. Mortgages

Mortgages are stated at fair value based on the present value of future cash flows and are determined by an independent party.

vi. Private investments

Private investments, which are classified as either equity or debt oriented, are stated at values determined by the external manager.

vii. Real estate investments

Real estate investments are stated at values based on the most recent external manager valuations or appraisals of the underlying properties, or at cost where no previous valuation has been prepared.

viii. Infrastructure investments

Infrastructure investments are stated at values determined by the external manager.

ix. Pooled funds

Pooled fund values are provided by the manager and are generally based on the quoted market price of the underlying investments.

(C) USE OF ESTIMATES

In preparing these financial statements, management must make estimates and assumptions that primarily affect the reported values of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(D) FOREIGN CURRENCY TRANSLATION

The market value of investments and cash balances denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates that are determined by the Fund's custodian. The resulting change is included in the current period change in fair value of investments.

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Hedged foreign currency transactions are translated at rates of exchange established by the terms of the forward exchange contracts. The foreign exchange on revenue and expense transactions is included in the net realized gain on the sale of investments, Note 13.

(E) FORWARD CONTRACTS

A forward contract is a contractual obligation to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. Forward contracts are valued at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date, Note 6(D). Realized gains or losses on forward contracts are recognized with the current period change in fair value of investments.

(F) PROVISION FOR FUND'S SHARE OF EMPLOYEES' PENSION BENEFITS

Employees of the Fund are members of the pension plan established under The Civil Service Superannuation Act. The Fund accrues a liability for the employer's share of the employees' pension benefits, including future cost of living adjustments, based on an actuarial report, Note 10.

(G) COMPUTER AND OFFICE EQUIPMENT

The cost of computer and office equipment is capitalized if it exceeds $1,000. Any such capitalized amounts are amortized over five years on a straight line basis, Note 5.

(H) CAPITAL DISCLOSURES

In the context of the Fund, capital is defined as the net assets available for benefits. Externally imposed capital requirements relate to the administration of the Fund in accordance with the applicable terms of The Teachers' Pension Act (Manitoba), The Pension Benefits Act (Manitoba) and the Income Tax Act (Canada). The Fund has developed appropriate risk management strategies, as described in Note 6, to manage the net assets available for benefits. The Fund complied with the applicable externally imposed capital requirements during the year.

3. INVESTMENTS AT FAIR VALUE

Account A assets are commingled for investment purposes with assets held in Money Purchase Accounts and the Trust Account assets held for MTS, MAST and the Province.

($ thousands)	2008	2007
Fixed Income		
Cash & Short-Term	**$ 51,878**	$ 95,402
Public Bonds (Universe)	**625,862**	1,012,118
Public Bonds (Long)	**424,668**	417,326
Mortgages	**354,543**	277,376
High Yield Debt	**70,584**	61,486
Equity		
Canadian	**734,131**	980,168
United States	**306,257**	363,485
International	**531,639**	750,325
Private	**249,400**	195,567
Real Estate	**600,317**	505,979
Infrastructure	**33,494**	25,145
Total	**$ 3,982,773**	$ 4,684,377

4. CONTRIBUTIONS AND OTHER RECEIVABLES

($ thousands)	2008	2007
Account B receivables	**$ 12,781**	$ 12,094
Member contribution receivables	**4,125**	4,392
Other receivables	**16**	-
Total	**$ 16,922**	$ 16,486

5. COMPUTER AND OFFICE EQUIPMENT

($ thousands)	2008			2007		
	Cost	Accumulated Amortization	**Net**	Cost	Accumulated Amortization	Net
Computer equipment	$ 600	$ 507	**$ 93**	$ 622	$ 481	$ 141
Office equipment	407	327	**80**	381	305	76
Total	$ 1,007	$ 834	**$ 173**	$ 1,003	$ 786	$ 217

6. RISK MANAGEMENT

The Fund follows a diversified asset mix strategy designed to earn the required investment return at an acceptable level of risk. Some of the risks that the Fund is exposed to are as follows:

(A) MARKET RISK

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. To mitigate the impact of market risk, the Fund invests in a diversified portfolio of investments based on Board approved policies.

(B) INTEREST RATE RISK

Interest rate risk refers to the effect on the market value of assets and liabilities due to fluctuations in interest rates. The value of the Fund's fixed income assets is directly affected by changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates as well as expectations in salary escalation. The fixed income portfolio has guidelines on concentration, duration, and distribution which are designed to partially mitigate the risks of interest rate volatility.

Assuming a parallel change in the long and short-term yields, a 1% increase in interest rates would have the effect of decreasing the value of the Fund's fixed income investments by approximately 7.3%. Conversely, a 1% decrease in interest rates would have the effect of increasing the value of the Fund's fixed income investments by approximately 7.3%.

(C) CREDIT RISK

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Fund. The Fund limits credit risk by dealing with counterparties that are considered to be of high quality relative to their obligations, by obtaining collateral where appropriate, through investment diversification and by setting and monitoring compliance with portfolio guidelines. With respect to individual corporate borrowers, the Fund has established investment policies which place limits on the exposure to any individual corporate entity.

(D) FOREIGN CURRENCY RISK

Foreign currency exposure results where investments are denominated in a foreign currency. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments.

The Fund, through its investment managers, may employ hedging strategies to mitigate the foreign currency risk in the portfolio. At December 31, 2008, the Fund's high yield debt manager was the only manager to employ a hedging strategy in respect of securities in a currency other than Canadian dollars. The high yield debt manager hedged the currency risk of US dollar denominated high yield bonds. The Fund held $41,942,275 (2007 – $35,484,716) in forward contracts with an unrealized loss of $447,163 (2007 unrealized loss – $162,559).

(E) LIQUIDITY RISK

Liquidity risk is the risk of being unable to generate sufficient cash, or its equivalent, in a timely and cost-effective manner to meet commitments as they come due. The Fund is exposed to liquidity risk through its responsibility to pay benefits on a timely basis and fund its outstanding investment commitments as described in Note 15. The Fund mitigates liquidity risk by holding various income producing assets and limiting exposure to non-liquid asset classes.

(F) SECURITIES LENDING

The Fund has entered into a securities lending program through CIBC Mellon Global Securities Services and CIBC Bank (the lending agent). Under the program, the Fund will lend various securities in its possession to borrowers approved by the lending agent. The loans can be secured by either securities or cash collateral. The Fund has various risks under this program including borrower default and reinvestment risk. Borrower default occurs if the borrower fails to return the loaned securities. Borrower default risk is mitigated by joint and several indemnities provided by CIBC Mellon, CIBC Bank and Bank of New York Mellon. Borrower default risk is also mitigated by requiring the borrowers to provide collateral with an aggregate market value exceeding the aggregate market value of the loaned securities. Reinvestment risk occurs if the interest earned on any cash collateral is insufficient to cover the interest that is rebated to the borrower. Reinvestment risk is mitigated by the relatively short duration of the investment of the collateral and the short duration of the loans, the majority of which are done on an open or overnight basis.

7. MONEY PURCHASE ACCOUNTS

Separate Money Purchase Accounts have been established for persons transferring money to the Fund in accordance with the Act. These accounts are maintained separately from the Fund's other activities. The accounts earn the same rate of return as the total Fund. On the written direction of the individual, the accumulated amount of the individual's account may be transferred to a Locked-In Retirement Account or into the Fund's Account A for initiation of a lifetime annuity.

($ thousands)	2008	2007
Balance at beginning of year	$ 1,628	$ 1,311
Transfers in	748	486
Net investment income, Note 12	74	60
Change in fair value of investments, Note 13	(280)	20
Transfers out	(540)	(249)
Balance at end of year	$ 1,630	$ 1,628

8. EMPLOYER TRUST ACCOUNTS

The Fund maintains separate trust accounts for the employer obligation for pension benefits in respect of MTS and MAST employees who are members of the Fund. The trust accounts receive the employer contributions and investment income and are charged with the employer share of pensions paid.

(A) THE MANITOBA TEACHERS' SOCIETY TRUST ACCOUNT

($ thousands)	2008	2007
Balance at beginning of year	$ 5,966	$ 5,977
Contributions	406	-
Net investment income, Note 12	259	238
Change in fair value of investments, Note 13	(980)	81
Benefits paid	(345)	(326)
Other	-	(4)
Balance at end of year	$ 5,306	$ 5,966

(B) MANITOBA ASSOCIATION OF SCHOOL TRUSTEES TRUST ACCOUNT

($ thousands)	2008	2007
Balance at beginning of year	$ 308	$ 326
Contributions	-	-
Net investment income, Note 12	13	13
Change in fair value of investments, Note 13	(48)	4
Benefits paid	(33)	(32)
Other	-	(3)
Balance at end of year	$ 240	$ 308

9. PROVINCE OF MANITOBA TRUST ACCOUNT

The Province has established a fund for the purpose of accumulating funds for the eventual retirement of the Province's unfunded pension obligation.

Under terms of an agreement between the Province and the Board (the "Trust Agreement"), the Province established a trust account with the Board in 2001 and is making the required payments to the trust account. The Province has also made additional payments to the trust account. While the monies in the trust account are not Fund assets and are accounted for separately by the Fund, the Trust Agreement was amended effective December 31, 2008, to make the trust irrevocable. Accordingly, the assets in the trust account cannot be used for any purpose other than to fund the Province's liabilities under the Act and to pay the costs and expenses that are directly attributable to the administration of the trust account. According to the terms of the agreement, the trust account earns the rate of return of the Fund and the Fund is paid a fee for its investment management services. Accordingly, the trust account is credited with its pro-rata portion of net investment income, Note 12.

The payments made by the Province to the trust account do not reduce its accrued pension benefit obligations to the Fund.

($ thousands)			**2008**	2007
	New Teacher Account	General Account	**Total**	Total
Balance at beginning of year	$ 65,065	$ 1,821,796	**$ 1,886,861**	$ 315,662
Deposits	15,980	40,238	**56,218**	1,552,788
Net investment income, Note 12	3,342	69,395	**72,737**	29,392
Change in fair value of investments, Note 13	(12,643)	(278,675)	**(291,318)**	10,626
Transfers to Account B	-	(132,558)	**(132,558)**	(21,607)
Balance at end of year	$ 71,744	$ 1,520,196	**$ 1,591,940**	$ 1,886,861

10. PROVISION FOR FUND'S SHARE OF EMPLOYEES' PENSION BENEFITS

Employees of the Fund are members of the pension plan established under The Civil Service Superannuation Act. The Fund accrues a liability for the employer's share of the employees' pension benefits, including future cost of living adjustments, based on an actuarial report.

($ thousands)	**2008**	2007
Balance at beginning of year	**$ 3,130**	$ 2,899
Change in assumptions/experience	**(119)**	-
Adjusted balance at beginning of year	**3,011**	2,899
Benefits accrued	**134**	124
Interest accrued on benefits	**211**	203
Benefits paid	**(243)**	(96)
Balance at end of year	**$ 3,113**	$ 3,130

The valuation of the pension obligations as at December 31, 2007 was conducted by Ellement and Ellement Ltd., consulting actuaries. The key actuarial assumptions were a rate of return of 6.50% (2004 – 6.50%), a rate of inflation of 2.50% (2004 – 2.50%), general salary rate increases of 3.25% (2004 – 3.25%) and post-retirement indexing at two-thirds of the inflation rate. The accrued benefit cost method with salary projection was used. The pension obligation has been extrapolated to December 31, 2008 using a formula provided by the actuary.

11. CONTRIBUTIONS

($ thousands)	2008	2007
Members	$ 67,394	$ 65,613
Transfers from Account B		
Share of benefits charged	133,246	127,360
Other statutory charges	1,633	1,635
Transfers under reciprocal agreements	1,311	1,246
Transfers from MTS and MAST Trust Accounts	378	358
Transfers from Money Purchase Accounts	540	234
Total	$ 204,502	$ 196,446

12. INVESTMENT INCOME

($ thousands)	2008	2007
Fixed Income		
Cash & Short-Term	$ 3,638	$ 4,965
Public Bonds (Universe)	41,139	40,650
Public Bonds (Long)	23,091	5,657
Mortgages	17,046	13,805
High Yield Debt	5,811	5,046
Equity		
Canadian	42,028	18,114
United States	8,726	8,032
International	21,061	15,843
Private	7,079	5,923
Real Estate	21,697	18,756
Infrastructure	767	108
Gross investment income	192,083	136,899
Securities lending	1,347	803
Director fees	22	47
Less: Investment management expenses, Note 16	(12,382)	(9,910)
Allocation to Money Purchase Accounts, Note 7	(74)	(60)
Allocation to Employer Trust Accounts, Note 8	(272)	(251)
Allocation to Province of Manitoba Trust Account, Note 9	(72,737)	(29,392)
Net investment income	$ 107,987	$ 98,136

13. CURRENT PERIOD CHANGE IN FAIR VALUE OF INVESTMENTS

($ thousands)	2008	2007
Net realized gains/(losses) on the sale of investments	$ (66,335)	$ 321,252
Net unrealized market gains/(losses)	(660,385)	(274,681)
Current period change in fair value of investments	(726,720)	46,571
Less: Allocation to Money Purchase Accounts, Note 7	280	(20)
Allocation to Employer Trust Accounts, Note 8	1,028	(85)
Allocation to Province of Manitoba Trust Account, Note 9	291,318	(10,626)
	$(434,094)	$ 35,840

14. RELATED PARTY TRANSACTIONS

(A) INVESTMENTS WITH THE PROVINCE OF MANITOBA

The Fund is related to the Province and is also related to Greystone Managed Investments Inc. (see Note 14(B) below). The Fund has engaged Greystone Managed Investments Inc. to manage certain fixed income assets on its behalf and, under this mandate, Greystone Managed Investments Inc. may trade in bonds issued by the Province on behalf of the Fund. A summary of such activities for the year are set out below.

($ thousands)	Bonds	Short-Term	**2008 Total**	2007 Total
Balance at beginning of year	$ 22,764	$ -	**$ 22,764**	$ 12,853
Purchases	3,247	48,591	**51,838**	149,340
Sales	(14,287)	(48,591)	**(62,878)**	(139,750)
Change in fair value	(346)	-	**(346)**	321
Balance at end of year	$ 11,378	$ -	**$ 11,378**	$ 22,764
Interest income	$ 919	$ 89	**$ 1,008**	$ 939

(B) INVESTMENT MANAGEMENT SERVICES

The Fund owns approximately 10.2% of the issued shares of Greystone Capital Management Inc., whose subsidiary Greystone Managed Investments Inc. provides certain investment management services to the Fund on a fee-for-service basis. The fees paid by the Fund to Greystone Managed Investments Inc. for the year were $4,944,692 (2007 – $4,607,714).

15. COMMITMENTS

Certain of the Fund's investments are made on the basis of an initial commitment of a defined dollar amount, which amount is then called for and advanced by the Fund in future years. The typical period over which such amounts may be called is five years from the date of commitment. As at December 31, 2008, the Fund had outstanding commitments for private equity, real estate and infrastructure investments as follows:

($ thousands)	**2008**	2007
Private Equity	**$ 516,959**	$ 304,797
Real Estate	**118,637**	80,396
Infrastructure	**22,087**	24,232
Total	**$ 657,683**	$ 409,425

Of the amount outstanding as of December 31, 2008, $347,310 (2007 – $203,840) is related to commitments denominated in US dollars and therefore the amount in Canadian dollar terms may increase or decrease depending on the Canadian to US dollar exchange rate at the time the funds are drawn.

16. ADMINISTRATIVE AND INVESTMENT EXPENSES

($ thousands)	2008			2007		
	Administrative Expenses	Investment Expenses	**Total**	Administrative Expenses	Investment Expenses	Total
Salaries and benefits	$ 2,208	$ 411	**$ 2,619**	$ 2,234	$ 320	$ 2,554
Office and administration	523	58	**581**	564	63	627
Actuarial	257	-	**257**	132	-	132
Custody and banking	12	352	**364**	12	382	394
Communications	87	4	**91**	103	3	106
Travel	29	19	**48**	37	13	50
Professional fees	68	31	**99**	62	31	93
Board and committees	34	29	**63**	31	25	56
Portfolio oversight	-	210	**210**	-	124	124
Subtotal	3,218	1,114	**4,332**	3,175	961	4,136
Investment management fees	-	11,268	**11,268**	-	8,949	8,949
Total	$ 3,218	$ 12,382	**$ 15,600**	$ 3,175	$ 9,910	$ 13,085

17. REMUNERATION AND COMPENSATION

Board members are appointed by the Lieutenant Governor in Council and are paid a set fee for attendance at Board and committee meetings. Board members, other than the Chair, are also entitled to a fixed fee for each day spent on Fund business or at an approved conference or training event. The Board Chair, who also acts as Chair of the Investment Committee, receives a fixed amount per month. Total Board remuneration for 2008 was $32,000 (2007 – $34,000).

The following table provides disclosure of the base salary and bonuses paid to senior management for the previous three years.

Name and Principal Position	Year	Base Salary	Bonus	Other Cash Compensation	Total Cash Compensation
Jeff Norton	2008	$ 188,277	$ 45,625	$ -	$ 233,902
President & CEO	2007	179,363	17,500	-	196,863
	2006	162,715	16,500	-	179,215
Brenda Venuto	2008	$ 124,586	n/a	$ -	$ 124,586
Vice President, Member Services	2007	124,179	n/a	-	124,179
	2006	100,421	n/a	-	100,421
Les Brown	2008	$ 114,672	n/a	$ -	$ 114,672
Vice President, Information Services	2007	103,434	n/a	-	103,434
	2006	100,421	n/a	-	100,421
Ross Hadaller	2008	$ 91,497	n/a	$ -	$ 91,497
Vice President, Finance	2007	87,006	n/a	-	87,006
	2006	79,394	n/a	-	79,394
Dewar McKinnon	2008	$ n/a	n/a	$ n/a	$ n/a
Vice President, Finance & Operations	2007	n/a	n/a	n/a	n/a
	2006	31,363	n/a	76,026[1]	107,389

[1] Retired March 31, 2006. Amount includes severance allowance paid upon retirement and vacation payout.

In addition to the cash compensation disclosed above, each employee of the Fund, including members of senior management, is entitled to other employment benefits including participation in the defined benefit pension plan for Manitoba civil service employees, health care, dental coverage, vision coverage, health spending account in the amount of $350 for 2008, group life insurance, long-term disability insurance, participation in an Employee Assistance Program and professional memberships as applicable.

18. ACTUARIAL VALUATIONS

(A) BASIC BENEFITS

The Act requires that an actuarial valuation of the Fund be prepared at least every three years. The most recent actuarial valuation of Account A and Account B (excluding the Pension Adjustment Account) was completed as at January 1, 2006 by Aon Consulting Inc., consulting actuaries. This is a funding valuation which projects the plan's future benefit costs and compares them to the Fund's assets plus future contributions. The previous valuation of Accounts A and B occurred as at January 1, 2004. The projected unit credit actuarial cost method was used for each valuation.

The assumptions used in determining the actuarial value of benefits accrued for service to date for Account A and Account B were developed by reference to expected long-term market conditions. The significant long-term actuarial assumptions used in the valuations were:

		January 1, 2006		**January 1, 2004**
Annual rate of return				
(a) Inflation component		2.50%		2.50%
(b) Real rate of return		3.75%		4.25%
		6.25%		6.75%
Annual salary escalation rates				
(a) General increases:				
(i) inflation component		2.50%		2.50%
	to 2011	thereafter	to 2011	thereafter
(ii) productivity component	0.50%	0.75%	0.50%	0.75%

(b) The rates used for seniority, merit and promotional increases are related to the number of years of service and range from 0.50% to 4.50%. These rates ranged from 0.50% to 5.75% in the 2004 valuation.

The actuarial valuation of Account A (excluding the Pension Adjustment Account) as at January 1, 2006 disclosed actuarial assets of $2,902,792,000 and actuarial liabilities of $2,915,653,000, leaving a deficit of $12,861,000 (2004 – deficit of $126,494,000).

The details of the January 1, 2006 actuarial valuation are as follows:

($ thousands)	Accrued Benefits	Future Benefits	Total
Assets	$ 2,333,599	$ 569,193	$ 2,902,792
Liabilities & Expense Reserve	2,164,125	751,528	2,915,653
Surplus/(Deficit)	$ 169,474	$ (182,335)	$ (12,861)

The deficit means that Account A is not sufficiently funded to cover the cost of the promised future benefits. The change in the funded position from the valuation as at January 1, 2004 was primarily a result of the investment return being greater than expected during the years 2004 and 2005 (positive impact) and the decrease in the valuation interest rate (negative impact). The next complete valuation of the Fund will occur no later than January 1, 2009.

Pension liabilities are exposed to the long-term expectation of the real rate of return on investments as well as expectations of inflation and salary escalation. Holding all other actuarial assumptions in the January 1, 2006 valuation constant, a 1% decrease in the long-term rate of return assumption would result in an increase of the Fund's accrued liabilities for pension benefits of approximately 12.9% (or 16.4% for accrued and future liabilities). Conversely, a 1% increase in the long-term rate of return assumption would result in a decrease of the Fund's accrued liabilities for pension benefits of approximately 12.9% (or 16.4% for accrued and future liabilities).

The actuarial present value of the Province's accrued pension benefits liability (Account B), excluding previously granted cost of living adjustments, was calculated at $2,147,992,000 for service to January 1, 2006 (2004 – $1,846,839,000). This valuation does not include any future service expected to be rendered by the members of the plan on January 1, 2006.

(B) PENSION ADJUSTMENTS (COST OF LIVING)

The Act requires that the Pension Adjustment Account be actuarially valued each year to determine the amount available to fund one-half of any cost of living increase.

The original December 31, 2007 actuarial report, prepared by Aon Consulting Inc. and dated March 7, 2008, disclosed a surplus of $11,051,000 (2006 – $9,317,000). Based on this report, the Board approved the payment of a 0.71% cost of living adjustment effective July 1, 2008. On September 15, 2008, the Act was amended to, among other things, change the formula for determining pension adjustments. As a result, Aon Consulting Inc. issued a revised actuarial report dated October 9, 2008. This revised report disclosed a surplus of $22,401,000. Based on this revised report, the Board approved an increase in the cost of living adjustment from 0.71% to 1.44% effective retroactively to July 1, 2008. The additional investment income to be credited to the Pension Adjustment Account retroactive to December 31, 2007 in the amount of $11,350,000 has been included in the net investment income of the Pension Adjustment Account for 2008.

The actuarial assumption used in the December 31, 2007 actuarial report for the rate of interest expected to be earned on the Pension Adjustment Account was 4.50% (2006 – 4.50%).

On March 3, 2009, Aon Consulting Inc. issued its valuation of the Pension Adjustment Account as of December 31, 2008. The surplus amount was calculated as $6,588,000 after the determination of experience gains and losses and the change of certain assumptions. The assumption regarding the rate of interest to be earned on the Pension Adjustment Account remained at 4.50% (2007 – 4.50%). Based on this report, the Board approved the payment of a 0.37% cost of living adjustment effective July 1, 2009, which reduced the surplus in the Pension Adjustment Account by $6,494,000 to $94,000.

19. ACCRUED PENSION BENEFITS

(A) BASIC BENEFITS

The present value of accrued pension benefits for Accounts A and B (excluding pension adjustments which are shown in Note 19(B) below), for service to January 1, 2006, was determined from the actuarial valuation referred to in Note 18. The liability for future service expected to be rendered after the valuation date is excluded. The present value of accrued pension benefits has been extrapolated from January 1, 2006 to December 31, 2008, using a formula developed by the actuary. Under the formula, the cost of benefits accrued under Account A is estimated to be 123% of the amount of corresponding member contributions plus any funds transferred to Account A as a result of reciprocal transfers or the conversion of Money Purchase Accounts to pensions.

($ thousands)	Account A	Account B	**2008 Total**	2007 Total
Estimated actuarial present value of accrued pension benefits for service to beginning of year	$ 2,344,523	$ 2,324,072	**$ 4,668,595**	$ 4,489,334
Change in assumptions	-	-	**-**	-
Experience losses/(gains)	-	-	**-**	-
Adjusted beginning of year	2,344,523	2,324,072	**4,668,595**	4,489,334
Interest accrued on benefits	144,915	141,945	**286,860**	275,104
Benefits accrued	70,464	67,671	**138,135**	134,533
Benefits paid	(122,240)	(119,280)	**(241,520)**	(230,376)
Net increase in accrued pension benefits	93,139	90,336	**183,475**	179,261
Estimated actuarial present value of accrued pension benefits for service to end of year	$ 2,437,662	$ 2,414,408	**$ 4,852,070**	$ 4,668,595

The estimated actuarial present value of accrued pension benefits in Account A is the Fund's obligation, while Account B represents the Province's obligation. Given that the net assets available for basic benefits held in Account A as of December 31, 2008 was $2,249,061 there is an estimated actuarial deficit in Account A for accrued basic benefits of approximately $188,601 (2007 surplus – $320,750). This estimate assumes no experience gains or losses and the same assumptions used in the January 1, 2006 valuation. While the Account B liability for basic benefits is unfunded, it is supported by the assets held in the Province of Manitoba Trust Account (see Note 9).

(B) PENSION ADJUSTMENTS (COST OF LIVING)

The present value of accrued pension adjustments for the Pension Adjustment Account is based on the March 3, 2009 actuarial report referred to in Note 18(B). The present value of accrued cost of living benefits for Account B have been extrapolated from the actuarial report referred to in Note 18(A) using a formula developed by the actuary.

($ thousands)	Pension Adjustment Account	Account B Cost of Living	**2008 Total**	2007 Total
Estimated actuarial present value of accrued pension adjustments at beginning of year	$ 137,662	$ 119,102	**$ 256,764**	$ 252,517
Change in assumptions	9,623	-	**9,623**	1,017
Experience losses/(gains)	1,378	-	**1,378**	741
Adjusted beginning of year	148,663	119,102	**267,765**	254,275
Interest accrued	6,901	8,168	**15,069**	13,653
Pension adjustments accrued	28,836	24,541	**53,377**	17,032
Pension adjustments paid	(14,867)	(14,867)	**(29,734)**	(28,196)
Net change in accrued pension adjustments	20,870	17,842	**38,712**	2,489
Estimated actuarial present value of accrued pension adjustments at end of year	$ 169,533	$ 136,944	**$ 306,477**	$ 256,764

The estimated actuarial present value of accrued pension adjustments in Account A is the Fund's obligation, while Account B represents the Province's obligation. While the Account B liability for accrued pension adjustments is unfunded, it is supported by the assets held in the Province of Manitoba Trust Account (see Note 9).

20. COMPARATIVE FIGURES

Comparative figures have been reclassified, where necessary, to conform to the 2008 presentation.

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